

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Dihlabeng Local Municipality

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GENERAL INFORMATION

Members of the Executive Mayoral Committee:

Councillor L U Makhalema	Chairperson
Councillor M A Mokoena	MMC for community services
Councillor M St V Mofokeng	MMC for public works and rural development
Councillor D B Michaels	MMC for corporate services
Councillor S M Jacobs	MMC for human settlement
Councillor J J H Pienaar	MMC for local economic development and tourism
Councillor T J Tseki	MMC for finance
	MMC for IDP, performance management and monitoring
Councillor N E Mabizela	MMC for women, children, disability and vulnerable groups

Grade of Local Authority:

Grade 8

Auditor:

Auditor-General South Africa

Bankers:

ABSA Bank
Branch 502-233 Account number 4052898966

Registered Office:

Civic centre	PO Box 551	Telephone:	058-303 5732
Muller street	Bethlehem	Fax:	058-303 5076
Bethlehem	9700		

E-mail address:

info@dihlabeng.co.za

Dihlabeng Local Municipality

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Municipal Manager:

Mr Busa Molatseli

Chief Financial Officer:

Mr Pule Khiba

Members of the Dihlabeng Local Municipality

<u>Ward No:</u>	<u>Councillor</u>
1	Mr T I Mofokeng
2	Mr M M Twala
3	Mr D B Michaels
4	Mr M D Motaung
5	Mr T J Mbambo
6	Ms J Twala
7	Ms T M Mofokeng
8	Mr T M H Mofokeng
9	Mr B F Mokoena
10	Ms C J van Niekerk
11	Mr M D Shabalala
12	Mr J M Radebe
13	Mr T J Seekane
14	Mr T J Tseki
15	Ms M E Sempe
16	Mrs S M Jacobs
17	Mrs A L Rakhothule - Mkhwanazi
18	Mrs N E Mabizela
19	Mr M St V Mofokeng
20	Mr P D Lengoabala

Public Representatives Councillors

Mrs L U Makhalema	Mr E M Maswili
Ms M A Maleka	Mr J J H Pienaar
Ms M E Lekhoa	Mrs M A Mokoena
Ms M F Mabuya	Mrs H E Mokoena
Mr G J Roetz	Mr E T Motloung
Mr P A Maasdorp	Ms N A Motaung
Mr M J Mokoena	Mr J J Nhlapo
Mr D L Xaba	Mr M K Mthombeni

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Ms M A Motaung

Ms M V Oliphant

Mr A Wolmarans

Executive Mayor:

Councillor L.U. Makhalema

Speaker:

Councillor P.D. Lengoabala

Members of the Audit Committee (from 15 December 2016):

Mr T P Masejane	-	Chairperson
Ms V C Sikaundi	-	Member
Mr G A Ntsala	-	Member

Nature of the entity

The municipality is established in terms of Chapter 7 of the Constitution of the Republic of South Africa.

Relevant legislation

Constitution of the Republic of South Africa

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act (Act No 5 of 2012)

The Income Tax Act (Act No 28 of 1997)

Value Added Tax Act (Act No 89 of 1991)

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

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Basic Conditions of Employment Act (Act no 75 of 1997)

Disaster Management Act (Act no 57 of 2002)

Municipal Electoral Act (Act no 27 of 2000)

Municipal Demarcation Act (Act no 27 of 1998)

Supply Chain Management Regulations, 2005

Collective Agreements

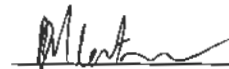
Infrastructure Grants

SALBC Leave Regulations

APPROVAL OF FINANCIAL STATEMENTS:

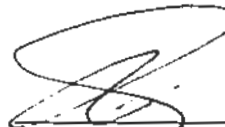
I am responsible for the preparation of these annual financial statements, which are set out on pages 17 to 94 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 29 and 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Busa Molatseli



Chief Financial Officer

Pule Khiba

Dihlabeng Local Municipality

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ACCOUNTING OFFICER'S REPORT

1. INTRODUCTION

The 2016/17 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget and the IDP are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and the following strategic areas, were focussed on during the 2016/17 budget:

- The eradication of backlogs and investment in infrastructure for basic services and growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2016/17 financial year.

The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

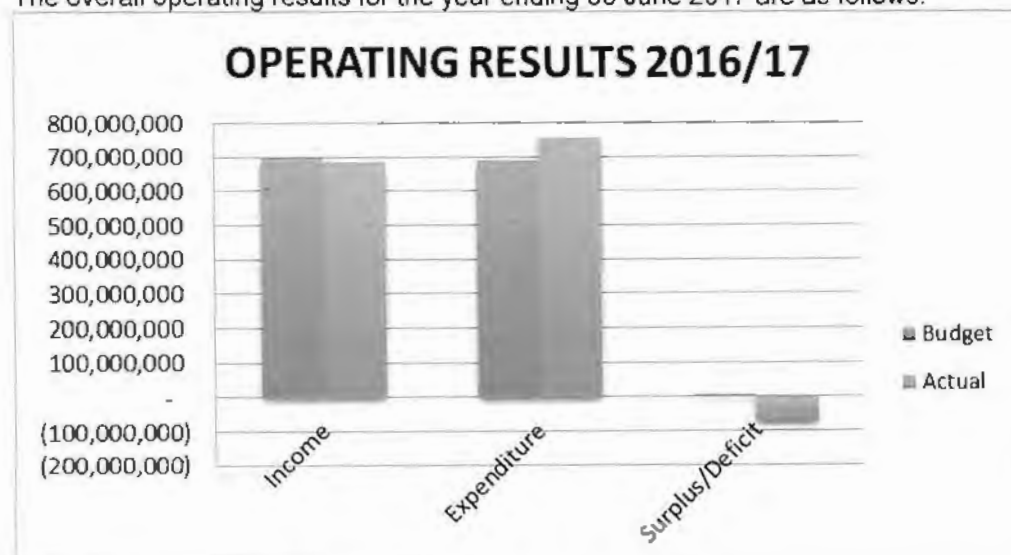
2. REVIEW OF OPERATING RESULTS

The 2016/17 budget of Dihlabeng Local Municipality was approved by Council in May 2016.

2.1 General

Details of the 2016/17 operating results and classification of revenue and expenditure are included in the Statement of Financial Performance. A graphical presentation of the operating results is shown in the graph below:

The overall operating results for the year ending 30 June 2017 are as follows:



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	Original Budget 2017	Adjusted	Actual 2017	Variance Actual / Adjusted budget	Actual 2016
Description	R'000	R'000	R'000	%	R'000
REVENUE	698,216	698,216	685,760	-1.78%	690,733
Operating revenue for the year	698,216	698,216	685,760		690,733
EXPENDITURE	690,216	690,216	758,072	9.83%	742,883
Operating expenditure for the year	-	-	(208)		(73)
Fair value adjustment	-	-	1,926		2,032
Actuarial Gains / (loss)	-	-	447		(5,987)
Gain on disposal of assets	8,000	8,000	(70,071)		(56,151)
Accumulated surplus / (deficit)	698,216	698,216	690,167		682,704
	698,216	698,216	685,760	-1.78%	690,733

The actual net expenditure of the Municipality reflects an increase of 2% while the actual revenue of the Municipality has increased by 0,7% in 2016/17

The largest increase on revenue occurred on rental of facilities (14%), interest (14%) and other income (61%).

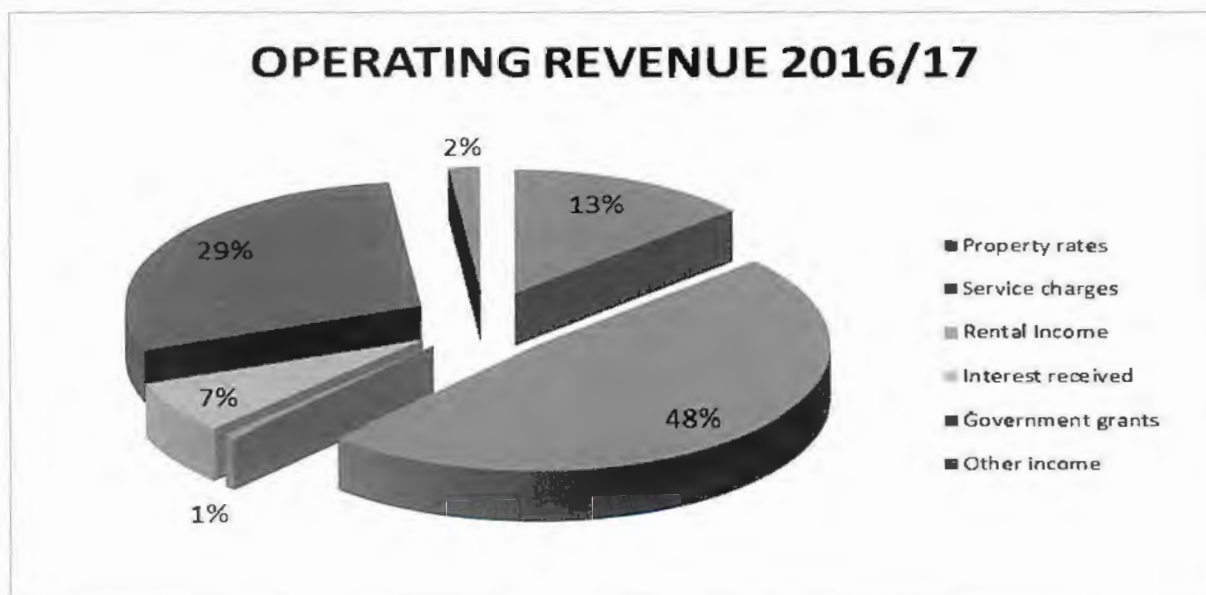
The largest increase on expenditure occurred on personal cost costs (5%), bulk services (7%) and repairs and maintenance (32%).

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

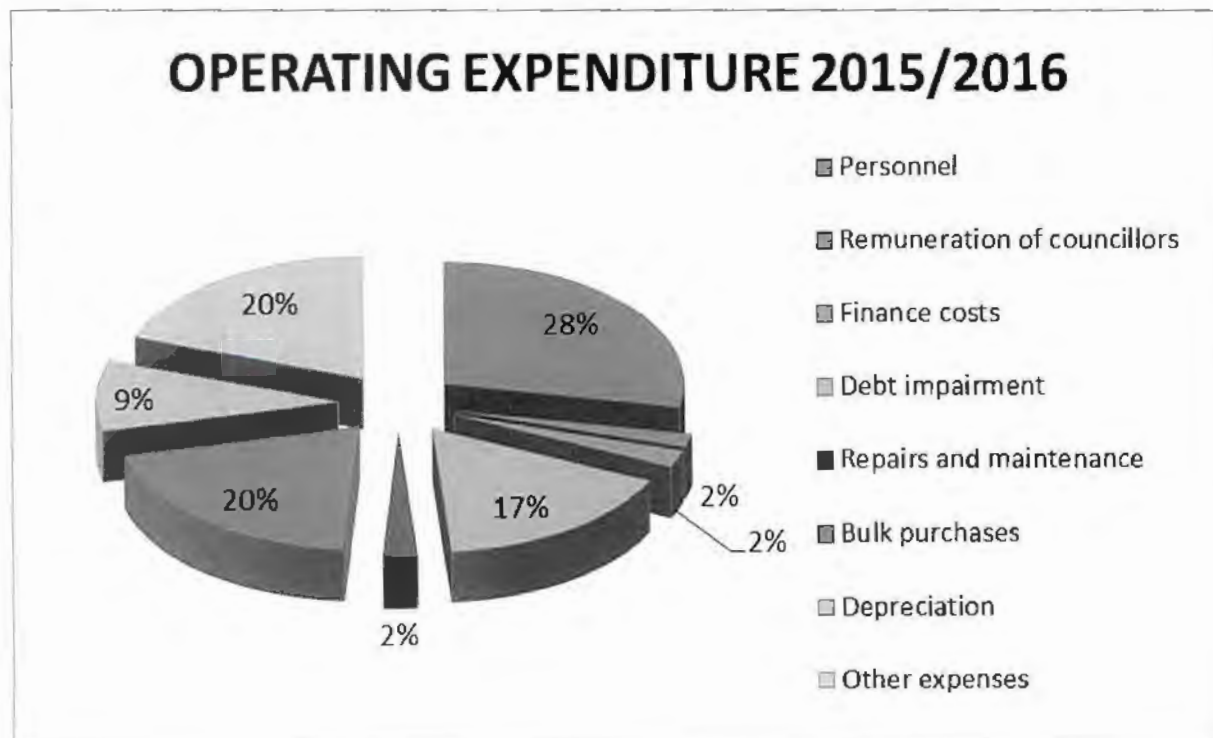
2.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.



Dihlabeng Local Municipality

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Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an increase from 27% in 2015/16 to 28% in 2016/17. These figures have a large impact on the going concern capabilities of the municipality. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contract intensive whilst others might be more labour intensive. The target for remuneration as a percentage of expenditure is 30%.

Description	2016/17 R'000	2015/16 R'000
Total operating expenditure	758,072	742,883
Total operating revenue	685,760	690,733
Employee remuneration	212,385	201,667
Ratio: % of total expenditure	28.02%	27.15%
Ratio: % of total revenue	30.97%	29.20%
% in/decrease in remuneration	5.31%	8.20%



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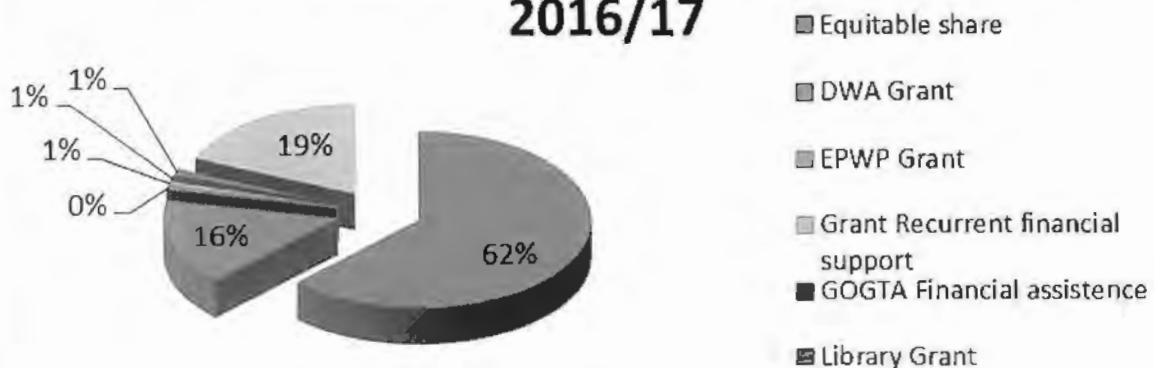
2.4 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Free State Provincial Government, which have been included in the total revenue:

Description	2016/17	2015/16
Equitable share	124,304,000	125,216,000
DWA Grant	31,748,013	41,488,471
EPWP Grant	1,000,000	1,000,000
Grant Recurrent financial support	1,625,000	2,530,000
GOGTA Financial assistance	1,352,210	0
Library Grant	2,334,000	2,000,000
MIG	36,892,000	37,428,000
	199,255,223	209,662,471

GOVERNMENT GRANTS & SUBSIDIES

2016/17



Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

2.4 Operating statement analysis

The following difference occurred with regards to the operating results for the 2016/17 financial year. Please refer to pages 22 of the financial statements.

	Final Adjustment budget	Virements (i.t.o council approved policy)	Final budget	Actual outcomes	Unauthorized expenditure	Variances	Actual outcome as % of final budget	Reasons for variances
Property rates	107,621	-	107,621	91,451	-	-16,170	85%	Due to decline in property market leading to low values.
Services charges	387,468	-	387,468	332,135	-	-55,332	86%	Due to decrease in utilization of water and electricity.
Investment revenue	39,091	-	39,091	46,370	-	7,279	119%	Due to the higher than anticipated nonpayment of services.
Transfers recognised – operational	129,369	-	133,722	130,615	-	-3,107	101%	within 10%
Other own revenue	34,667	-	30,314	16,410	-	-13,904	47%	Due to less revenue received than anticipated.
Total Inc (Excl capital transfers and contributions)	698,216	-	698,216	616,982	-	-81,234	88%	
Employees cost	204,508	-	204,508	212,385	7,877	-7,877	104%	within 10%
Remuneration of councillors	14,865	-	14,865	13,441	-	1,425	90%	within 10%
Debt impairment	98,869	-	98,869	128,244	29,375	-29,375	130%	Underbudgeting for debt impairment.
Depreciation and asset impairment	77,867	-	77,867	70,059	-	7,808	90%	within 10%
Finance charges	7,452	-	7,452	16,699	7,581	-7,581	224%	Due to cashflow problems, payments could not be made as required to Eskom and Hydro.

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Materials and bulk purchases	157,315	-	157,315	152,295	-	5,020	97%	within 10%
Other expenditure	129,340	-	129,340	164,951	35,611	(35,611)	128%	Due to high demand for rental of service delivery vehicles.
TOTAL EXP	690,216	-	690,216	758,072	80,443	-66,190	110%	

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2.5 Financial Position statement analysis

The following difference occurred with regards to the operating results for the 2016/17 financial year. Please refer to pages 18 to 23 of the financial statements.

	Approved budget	Adjustments	Final budget	Actual amounts	Variances	Actual outcome as % of final budget	Reasons for variances
Current assets							
Inventory	768 000	-	768 000	1 639 395	871 395	213%	Included in budgeted costs for the year within 10%
Other financial assets	1 005 000	-	1 005 000	1 055 063	50 063	105%	
Receivables exchange transactions	-	-	-	18 571 415	18 571 415	100%	within 10%
Receivables non-exchange transactions	-	-	-	333 423	333 423	100%	Not Included in budget for exchange transactions
Consumer debtors	94 837 000	-	94 837 000	60 013 924	-34 823 976	63%	Under provision for doubtful debts
Cash	146 000	-	146 000	181 119	35 119	124%	Petty cash on hand not in budget
Non-Current assets							
Biological assets	4 050 000	-	4 050 000	2 932 610	-1 117 390	72%	decrease in market value
Investment Property	81 518 000	-	81 518 000	47 996 000	-33 522 000	59%	Change in accounting policy to cost
Property, plant & equipment	1 954 834 000	-	1 954 834 000	2 009 384 231	54 550 231	103%	within 10%
Intangible assets	74 000	-	74 000	2 354 014	2 280 014	3 181%	Upgrade in IT infrastructure
Long term receivable	506 000	-	506 000	-	-506 000	100%	
Other financial assets	480 000	-	480 000	494 034	14 034	103%	within 10%
Heritage assets	-	-	-	45 355 000	45 355 000	100%	
Current liabilities							
Other financial liabilities	3 736 000	-	3 736 000	4 163 573	42 573	111%	Under budgeting
Payables	236 805 000	-	236 805 000	307 873 817	71 068 817	130%	VAT were also included in the budget figures and slight improvement in payments
VAT payable	-	-	-	31 560 869	31 560 869	100%	
Consumer deposits	5 239 000	-	5 239 000	6 652 284	1 413 284	127%	Improved data cleansing and collections
Unspent conditional grant	-	-	-	-	-	100%	Delay in implementation of project
Provisions	21 473 000	-	21 473 000	23 230 488	1 757 488	108%	Included in non-current liabilities
Bank overdraft	-	-	-	4 239 871	4 239 871	100%	
Non-current liabilities							
Other financial liabilities	46 837 000	-	46 837 000	37 245 635	-9 591 365	80%	DBSA loan were restructured
Employee benefit obligation	-	-	-	1 884 000	1 884 000	100%	
Provisions	40 826 000	-	40 826 000	2 812 117	-38 013 883	7%	Also included the current portion
Long service awards	-	-	-	13 691 000	13 691 000	100%	

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3. DEBTORS

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2016/17	2015/16
Consumer debtors	474,423,582	460,200,957
Balance on 1 July	627,375,389	592,561,408
Balance on 30 June	649,856,887	627,375,389
Average balance	638,616,138	609,968,399
Days in the financial year	365	365
Turnover: Number of days	491	484
Turnover: Number of times (levies/average balance)	0.74	0.75

From the table it is clear that, the number of days to recover increased from 484 to 491 since 2015/16. This high turnover has serious implications on the cash flow of the Municipality. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control by-law and the actions taken in terms of the by-law started producing better results. Measures have been put in place to recover the debts and the legal actions taken are starting to have an impact on the poor payment culture within our municipality. The increase in debtors has a serious impact on the going concern of the municipality.

4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved Capital Expenditure Budget for 2016/17 amounted to R68.6 million and was accepted by National Treasury.

Of these funds the MIG funding of R36.8 million was spent in the 2016/17 financial year and R31.7 million was spent from DWA funding.

Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources can largely influence the following aspects:

- The raising of loans
- The cash flow of the Municipality

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5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

DESCRIPTION	2016/17	2015/16
CURRENT ASSETS:		
Cash	181,119	150,693
Inventory	1,639,395	1,454,582
Consumer Debtors	60,013,924	60,963,877
Receivables from exchange transactions	18,571,415	23,627,651
Other financial assets	1,055,063	990,437
Other receivables from exchange transactions	333,423	2,884,217
Total	81,794,339	90,071,457
CURRENT LIABILITIES:		
Creditors	307,873,819	224,337,721
Unspent conditional grants and receipts	-	5,000,000
Other financial liabilities	4,163,573	3,828,264
Taxes and transfers payable	31,560,869	38,039,891
Consumer deposits	6,652,284	5,950,696
Overdrawn cash book balance	4,239,871	7,519,029
Total	377,720,904	308,519,222
Net Operating Capital	(295,926,565)	(218,447,765)
Current asset Ratio	0,30 : 1	0,36 : 1

The ratio decreased slightly since 2015/16. This is due to the fact that the current liabilities increased by 22% whilst the current assets decreased with 9%. The impact in current assets can mainly be ascribed to the large provisions that had to be made towards debt impairment of R128 million, which equates to R10.6 million per month, more than our bulk electricity purchases per month. The municipality has prioritised this fact of its business to ensure the sustainability of the municipality.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

DESCRIPTION	2016/17	2015/16
Current assets	83,394,505	90,071,457
Less: Inventory	1,639,395	1,454,582
Total	81,755,110	88,616,875
Current liabilities	377,720,904	308,519,222
Quick asset ratio	0,29 : 1	0,36 : 1

The ratio decreased is due to increase in the current liabilities, serious attention will be required to increase the ratio even further in this area to ensure the going concern of the municipality.

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

DESCRIPTION	2016/17	2015/16
TOTAL ASSETS:		
Current assets	83,394,505	90,071,457
Non-current assets	2,108,515,889	2,107,630,597
Total	2,191,910,394	2,197,702,054
TOTAL LIABILITIES:		
Current liabilities	377,720,904	308,519,222
Plus: Long-term loans	37,245,635	40,752,657
Non-current provisions	2,812,117	5,203,000
Total	417,778,656	354,474,879
Solvability Ratio	5,77 : 1	6,80 : 1

The total assets of the Municipality remain more or less the same in the current financial year while the total liabilities increased with 18% resulting in a decrease in the solvability ratio as stated above. Non-current assets decreased with 0.04% while external loans decreased with 9%.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

5.4 Total debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio decreased from 7.54% to 6.66% since 2015/16. This decrease can be ascribed to the fact that the total debt decreased with 12% in relation to the increase of 1% in total revenue.

DESCRIPTION	2016/17	2015/16
Total debt	45,649,079	52,099,950
Total revenue	685,621,591	690,732,878
Ratio	6.66%	7.54%

5.5 Cashbook balance plus short-term loans to total operating revenue

DESCRIPTION	2016/17	2015/16
Short term debt	8,403,444	11,347,293
Total revenue	685,621,591	690,732,878
Ratio	1.23%	1.64%

According to credit rating companies, the benchmark is a ratio of less than 5%. The ratio increased due to an improvement in the negative cash book balance at the end of the financial year.

5.6 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

DESCRIPTION	2016/17	2015/16
Cash generated from operations (Nett cash flow)	77,563,453	63,186,549
Interest paid on external loans	16,698,775	17,084,658
Ratio	4,13 : 1	3,71 : 1

The ratio shows an increase as the interest paid on external loans decreased with 2% and the cash generated from operations shows a 23% decrease since 2015/16.

5.7 Net debtors to total annual operating revenue

DESCRIPTIONS	2016/17	2015/16
Annual operating revenue	685,621,591	690,732,878
Debtors (excluding provision for bad debt)	649,856,887	627,375,389
Percentage	94.78%	90.83%

This ratio had an increase of 3.94%. This is a clear indication that the debt collection process of the municipality has problems and still needs to be improved even more.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

6. CHALLENGES EXPERIENCED DURING 2016/17

6.1 GOING CONCERN ISSUES

The going concern of the municipality remains an issue that management needs to address; the following areas are of concern:

- The government subsidies equate to 29% of our income. The situation improved by 1% from the 2015/16 financial year (i.e 30%). This means that there was a lesser reliance by the municipality on government grants.
- With reference to 5.2 (Quick asset ratio), the ratio of 0,29 : 1 is still a poor given the norm of 1: 1. The recoverability of our debtors still remains a problem hence the large provision for doubtful debts.
- Our overdrawn cash book balance plus short portion of long-term debt to operating revenue ratio (section 5.5 above) shows and decrease from 1.64%% (2015/16) to 1.23% (2016/17).
- Although the personnel costs are within the norm of 30%. The ratio is still too high due to the impairment of debt and the municipality should make all possible efforts to reduce it to at least 25% excluding impairment of debt in the next financial year to ensure that the municipality is able to meet all its financial obligations. (Refer to 2.3 for more detail)
- As discussed above from the accounting officer's report and the submitted financial statements, the municipality is experiencing financial difficulties as current liabilities exceed current assets by R295 million, consumer debtors are not recovered timeously, inability to settle accounts payable within 30 days and a deficit of R70 million during the current year.
- These conditions, along with other matters as set out in the financial statements indicate the existence of a material uncertainty about the municipality's ability to operate as a going concern

6.2 IMPLEMENTATION OF ACCOUNTING STANDARDS

The Municipality had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Annual Financial Statements of 2016/17. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

7. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, office of the Municipal Manager, CFO, Directors, Managers and Staff members. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my office to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August).



BUSA MOLATSELE
MUNICIPAL MANAGER

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	1,639,395	1,454,582
Other financial assets	4	1,055,063	990,437
Receivables from exchange transactions	5	18,571,415	23,627,651
Receivables from non-exchange transactions	6	333,423	2,884,217
Trade receivables from exchange transactions	7	54,983,311	55,640,745
Trade receivables from non-exchange transactions	7	5,030,613	5,323,132
Cash and cash equivalents	8	181,119	150,693
		81,794,339	90,071,457
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	2,932,610	3,726,075
Investment property	10	47,996,000	47,996,000
Property, plant and equipment	11	2,009,384,231	2,008,206,530
Intangible assets	12	2,354,014	1,864,477
Heritage assets	13	45,355,000	45,355,000
Other financial assets	4	494,034	482,515
		2,108,515,889	2,107,630,597
Total Assets		2,190,310,228	2,197,702,054
Liabilities			
Current Liabilities			
Other financial liabilities	14	4,163,573	3,828,264
Payables from exchange transactions	15	307,873,819	224,337,721
VAT payable	16	31,560,869	38,039,891
Consumer deposits	17	6,652,284	5,950,696
Unspent conditional grants and receipts	18	-	5,000,000
Provisions	19	23,230,488	23,843,621
Bank overdraft	8	4,239,871	7,519,029
		377,720,904	308,519,222
Non-Current Liabilities			
Other financial liabilities	14	37,245,635	40,752,657
Employee benefit obligation	20	18,884,000	19,568,000
Provisions	19	2,812,117	5,203,000
Long service leave awards	21	13,691,000	13,632,000
		72,632,752	79,155,657
Total Liabilities		450,353,656	387,674,879
Net Assets		1,739,956,572	1,810,027,175
Accumulated surplus		1,739,956,572	1,810,027,175

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	332,135,474	325,585,327
Rendering of services		1,853,341	1,775,045
Rental of facilities and equipment	24	4,466,819	3,919,415
Interest received (trading)		46,370,368	40,508,060
Licences and permits		69,041	46,239
Other income	25	9,131,636	5,666,272
Dividends received	26	8,264	16,686
Total revenue from exchange transactions		394,034,943	377,517,044
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	91,450,921	90,188,155
Transfer revenue			
Government grants and subsidies	28	199,255,223	209,662,471
Traffic fines		1,018,684	13,365,208
Total revenue from non-exchange transactions		291,724,828	313,215,834
Total revenue	22	685,759,771	690,732,878
Expenditure			
Employee costs	29	(212,384,802)	(201,666,787)
Remuneration of councillors	30	(13,440,618)	(14,813,961)
Depreciation, impairment and amortisation	31	(70,058,834)	(67,910,967)
Finance costs	32	(16,698,775)	(17,084,658)
Debt Impairment	33	(128,243,613)	(141,227,455)
Repairs and maintenance		(17,235,175)	(13,097,464)
Bulk purchases	34	(152,294,859)	(142,869,019)
Contracted services	35	(2,521,517)	(2,636,051)
General expenses	36	(145,194,092)	(141,576,421)
Total expenditure		(758,072,285)	(742,882,783)
Operating deficit		(72,312,514)	(52,149,905)
Gain (loss) on disposal of assets and liabilities		447,271	(5,987,216)
Fair value adjustments in investments	37	76,146	27,327
Actuarial gain / (loss)		1,926,000	2,032,000
Fair value adjustment of game stock		(207,515)	(72,750)
		2,241,902	(4,000,639)
Deficit for the year		(70,070,612)	(56,150,544)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,693,139,103	1,693,139,103
Adjustments		
Correction of errors - Note 47	173,038,616	173,038,616
Balance at 01 July 2015 as restated*	1,866,177,719	1,866,177,719
Changes in net assets		
Deficit for the year	(56,150,544)	(56,150,544)
Total changes	(56,150,544)	(56,150,544)
Opening balance as previously reported	1,638,864,381	1,638,864,381
Adjustments		
Correction of errors - Note 47	(1,875,813)	(1,875,813)
Prior year adjustments	173,038,616	173,038,616
Restated* Balance at 01 July 2016 as restated*	1,810,027,184	1,810,027,184
Changes in net assets		
Surplus for the year	(70,070,612)	(70,070,612)
Total changes	(70,070,612)	(70,070,612)
Balance at 30 June 2017	1,739,956,572	1,739,956,572
Note(s)		

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		318,700,940	296,688,069
Grants		194,255,223	214,662,471
Interest income		46,370,368	40,508,060
Dividends received		8,264	16,686
		<u>559,334,795</u>	<u>551,875,286</u>
Payments			
Employee costs		(225,825,420)	(216,480,748)
Suppliers		(239,247,147)	(255,123,331)
Finance costs		(16,698,775)	(17,084,658)
		<u>(481,771,342)</u>	<u>(488,688,737)</u>
Net cash flows from operating activities	40	77,563,453	63,186,549
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(70,800,596)	(73,953,363)
Proceeds from sale of property, plant and equipment	11	855,611	3,908,937
Purchase of other intangible assets	12	(1,137,170)	(1,906,319)
Net cash flows from investing activities		(71,082,155)	(71,950,745)
Cash flows from financing activities			
Increase of other financial liabilities		(3,171,714)	(2,860,953)
Net cash flows from financing activities		(3,171,714)	(2,860,953)
Net increase/(decrease) in cash and cash equivalents		3,309,584	(11,625,149)
Cash and cash equivalents at the beginning of the year		(7,368,336)	4,256,812
Cash and cash equivalents at the end of the year	8	(4,058,752)	(7,368,337)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	387,467,792	-	387,467,792	332,135,474	(55,332,318)	Note 53
Rendering of services	2,887,707	-	2,887,707	1,853,341	(1,034,366)	Note 53
Rental of facilities and equipment	3,576,727	-	3,576,727	4,466,819	890,092	Note 53
Interest received (trading)	39,091,378	-	39,091,378	46,370,368	7,278,990	Note 53
Licences and permits	51,146	-	51,146	69,041	17,895	Note 53
Other income	23,798,088	-	23,798,088	9,131,636	(14,666,452)	Note 53
Dividends received	-	-	-	8,264	8,264	
Total revenue from exchange transactions	456,872,838	-	456,872,838	394,034,943	(62,837,895)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	107,620,760	-	107,620,760	91,450,921	(16,169,839)	Note 53
Transfer revenue						
Government grants & subsidies - operational	129,369,000	-	129,369,000	130,615,210	1,246,210	Note 53
Fines, Penalties and Forfeits	4,353,434	-	4,353,434	1,018,684	(3,334,750)	Note 53
Total revenue from non-exchange transactions	241,343,194	-	241,343,194	223,084,815	(18,258,379)	
Total revenue	698,216,032	-	698,216,032	617,119,758	(81,096,274)	
Expenditure						
Personnel	(204,507,864)	-	(204,507,864)	(212,384,802)	(7,876,938)	Note 53
Remuneration of councillors	(14,865,338)	-	(14,865,338)	(13,440,618)	1,424,720	Note 53
Depreciation and amortisation	(77,867,121)	-	(77,867,121)	(70,058,834)	7,808,287	Note 53
Finance costs	(7,452,000)	-	(7,452,000)	(16,698,775)	(9,246,775)	Note 53
Debt Impairment	(98,868,861)	-	(98,868,861)	(128,243,613)	(29,374,752)	Note 53
Repairs and maintenance	(23,078,334)	-	(23,078,334)	(17,235,175)	5,843,159	Note 53
Bulk purchases	(134,236,486)	-	(134,236,486)	(152,294,859)	(18,058,373)	Note 53
Contracted Services	(2,311,772)	-	(2,311,772)	(2,521,517)	(209,745)	Note 53
General Expenses	(127,028,256)	-	(127,028,256)	(145,194,092)	(18,165,836)	Note 53
Total expenditure	(690,216,032)	-	(690,216,032)	(758,072,285)	(67,856,253)	
Operating deficit	8,000,000	-	8,000,000	(140,952,527)	(148,952,527)	
Gain on disposal of assets and liabilities	-	-	-	447,271	447,271	Note 53
Fair value adjustments	-	-	-	76,146	76,146	Note 53
Gain on biological assets and agricultural produce	-	-	-	1,926,000	1,926,000	Note 53
Loss on non-current assets held for sale or disposal groups	-	-	-	(207,515)	(207,515)	Note 53
	-	-	-	2,241,902	2,241,902	
Deficit	8,000,000	-	8,000,000	(138,710,625)	(146,710,625)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Transfers recognised - capital	72,889,000	-	72,889,000	68,640,013	(4,248,987)	Note 53
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	80,889,000	-	80,889,000	(70,070,612)	(150,959,612)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	768,000	-	768,000	1,639,395	871,395	Note 53
Other financial assets	1,005,000	-	1,005,000	1,055,063	50,063	Note 53
Receivables from exchange transactions	-	-	-	18,571,415	18,571,415	Note 53
Receivables from non-exchange transactions	-	-	-	333,423	333,423	Note 53
Consumer debtors	94,837,000	-	94,837,000	60,013,924	(34,823,076)	Note 53
Cash and cash equivalents	146,000	-	146,000	181,119	35,119	Note 53
	96,756,000	-	96,756,000	81,794,339	(14,961,661)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	4,050,000	-	4,050,000	2,932,610	(1,117,390)	Note 53
Investment property	81,518,000	-	81,518,000	47,996,000	(33,522,000)	Note 53
Property, plant and equipment	1,954,834,000	-	1,954,834,000	2,009,384,231	54,550,231	Note 53
Intangible assets	74,000	-	74,000	2,354,014	2,280,014	Note 53
Heritage assets	-	-	-	45,355,000	45,355,000	Note 53
Long term receivables	506,000	-	506,000	-	(506,000)	Note 53
Other financial assets	480,000	-	480,000	494,034	14,034	Note 53
	2,041,462,000	-	2,041,462,000	2,108,515,889	67,053,889	
Total Assets	2,138,218,000	-	2,138,218,000	2,190,310,228	52,092,228	
Liabilities						
Current Liabilities						
Other financial liabilities	3,736,000	-	3,736,000	4,163,573	427,573	Note 53
Payables from exchange transactions	236,805,000	-	236,805,000	307,873,817	71,068,817	Note 53
VAT payable	-	-	-	31,560,869	31,560,869	Note 53
Consumer deposits	5,239,000	-	5,239,000	6,652,284	1,413,284	Note 53
Provisions	21,473,000	-	21,473,000	23,230,488	1,757,488	Note 53
Bank overdraft	-	-	-	4,239,871	4,239,871	Note 53
	267,253,000	-	267,253,000	377,720,902	110,467,902	
Non-Current Liabilities						
Other financial liabilities	46,837,000	-	46,837,000	37,245,635	(9,591,365)	Note 53
Employee benefit obligation	-	-	-	18,884,000	18,884,000	Note 53
Provisions	40,826,000	-	40,826,000	2,812,117	(38,013,883)	Note 53
Long service leave awards	-	-	-	13,691,000	13,691,000	Note 53
	87,663,000	-	87,663,000	72,632,752	(15,030,248)	
Total Liabilities	354,916,000	-	354,916,000	450,353,654	95,437,654	
Net Assets	1,783,302,000	-	1,783,302,000	1,739,956,574	(43,345,426)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Reserves						
Accumulated surplus	1,783,302,000	-	1,783,302,000	1,739,956,574	(43,345,426)	Note 53

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and is rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Biological assets that form part of an agricultural activity (continued)

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Bins and containers	Straight line	5 - 22 years
Community assets - Buildings	Straight line	5 - 50 years
Community assets - Land		Infinite
Emergency equipment	Straight line	15 - 22 years
Furniture and fixtures	Straight line	5 - 22 years
Motor vehicles	Straight line	5 - 22 years
Infrastructure - Electrical	Straight line	5 - 50 years
Infrastructure - Roads	Straight line	7 - 80 years
Infrastructure - Sewer	Straight line	5 - 50 years
Infrastructure - Water	Straight line	5 - 100 years
Infrastructure - Solid waste - Land		Infinite
Infrastructure - Solid waste - Buildings	Straight line	5 - 50 years
Land owned		Infinite
Office equipment	Straight line	5 - 22 years
Plant and equipment	Straight line	2 - 37 years
Railways	Straight line	5 - 50 years
Security equipment	Straight line	22 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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Accounting Policies

1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Accounting Policies

1.8 Heritage assets (continued)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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Accounting Policies

1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

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Accounting Policies

1.9 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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Accounting Policies

1.9 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

Dihlabeng Local Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Accounting Policies

1.14 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.15 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which approval is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.25 Budget information (continued)

The approved budget covers the fiscal period from 2016/06/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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2. Summary of the standards and pronouncements comprising the GRAP reporting framework for the 30 June 2017 financial year-end

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard / Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 18: Segment reporting	01 April 2017	Unlikely there will be a material impact
GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	No date set	Unlikely there will be a material impact
GRAP 34: Separate Financial Statements	No date set	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	No date set	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	No date set	Unlikely there will be a material impact
GRAP 37: Joint arrangement	No date set	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	No date set	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	No date set	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	No date set	Unlikely there will be a material impact
GRAP 110: Living and Non-living Resources	No date set	Unlikely there will be a material impact

3. Inventories

Consumable stores	674,165	854,735
Water	105,999	101,408
Fuel (Diesel, Petrol)	628,737	411,731
Water chemicals	230,494	152,277
	<u>1,639,395</u>	<u>1,520,151</u>
Inventories (write-downs)	-	(65,569)
	<u>1,639,395</u>	<u>1,454,582</u>

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Other financial assets		
Designated at fair value		
Listed shares	270,151	251,641
4 169 shares in Sanlam @ R64.80 (2016: R60.36)		
Unlisted shares	223,883	230,874
The unlisted investment consists of:		
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R13.20 (2016: R13.57)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R12.15 (2016: R12.57)		
Sanlam short term deposit	898,787	834,161
The short-term deposit at Sanlam is fixed and matures at a future date.		
ABSA short term deposit	156,276	156,276
The short-term deposit at ABSA is fixed and matures at a future date.		
At amortised cost		
Total other financial assets	1,549,097	1,472,952
Non-current assets		
Designated at fair value	494,034	482,515
Current assets		
Designated at fair value	1,055,063	990,437
5. Receivables from exchange transactions		
Unbilled consumption to trade debtors	12,609,064	18,734,745
Other receivables	-	8,337
Pre-paid electricity from third party vendors	2,599,019	613,381
Sale of property debtors	3,363,332	4,271,188
Fraudulent payment under investigation	1,741,328	-
Impairment of fraudulent payments	(1,741,328)	-
	18,571,415	23,627,651
6. Receivables from non-exchange transactions		
Post office and petrol deposits	170,000	170,000
Other receivables from non-exchange revenue	42,855	993,483
Unpaid traffic fines	61,706,236	61,568,056
Provision for traffic fines not recoverable	(61,585,668)	(59,847,322)
	333,423	2,884,217

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
7. Trade receivables		
Gross balances		
Rates	54,473,661	54,780,020
Electricity	20,069,263	21,691,031
Water	138,613,628	140,378,782
Sewerage	83,066,377	82,367,720
Refuse	116,202,135	116,770,863
VAT billed	50,721,097	51,185,699
Other (specify)	186,710,726	160,201,274
	649,856,887	627,375,389
Less: Allowance for impairment		
Rates	(49,443,048)	(49,456,888)
Electricity	(18,215,878)	(19,583,251)
Water	(125,812,736)	(126,737,770)
Sewerage	(75,395,243)	(74,363,811)
Refuse	(105,470,932)	(105,423,901)
VAT billed	(46,037,032)	(46,211,837)
Other (specify)	(169,468,094)	(144,634,054)
	(589,842,963)	(566,411,512)
Net balance		
Rates	5,030,613	5,323,132
Electricity	1,853,385	2,107,780
Water	12,800,892	13,641,012
Sewerage	7,671,134	8,003,909
Refuse	10,731,203	11,346,962
VAT billed	4,684,065	4,973,862
Other (specify)	17,242,632	15,567,220
	60,013,924	60,963,877
Rates		
Current (0 -30 days)	5,030,613	5,323,132
Electricity		
Current (0 -30 days)	1,853,385	2,107,780
Water		
Current (0 -30 days)	5,160,205	5,130,172
31 - 60 days	3,148,586	4,474,068
61 - 90 days	2,887,230	3,346,878
91 - 120 days	1,604,871	689,894
	12,800,892	13,641,012
Sewerage		
Current (0 -30 days)	3,311,253	3,275,826
31 - 60 days	2,119,850	2,161,242
61 - 90 days	1,880,936	1,888,162
91 - 120 days	359,095	678,679
	7,671,134	8,003,909

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
7. Trade receivables (continued)		
Refuse		
Current (0 -30 days)	2,955,617	3,017,332
31 - 60 days	2,301,804	2,403,254
61 - 90 days	2,214,718	2,263,327
91 - 120 days	2,113,353	2,224,321
121 - 365 days	1,145,711	1,438,728
	10,731,203	11,346,962
VAT billed		
Current (0 -30 days)	2,954,160	2,938,360
31 - 60 days	1,328,012	1,723,255
61 - 90 days	401,893	312,247
	4,684,065	4,973,862
Interest, Rates ect		
Current (0 -30 days)	4,219,818	4,184,619
31 - 60 days	6,112,527	4,573,603
61 - 90 days	5,937,107	3,766,713
91 - 120 days	973,180	3,042,285
	17,242,632	15,567,220

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
7. Trade receivables (continued)		
Summary of trade receivables by customer classification		
Consumers		
Current (0 -30 days)	30,965,456	30,915,087
31 - 60 days	17,122,828	17,361,538
61 - 90 days	15,395,541	14,386,759
91 - 120 days	12,876,729	13,573,558
121 - 365 days	91,901,204	95,280,929
> 365 days	464,187,845	439,768,598
	632,449,603	611,286,469
Less: Allowance for impairment	(589,842,962)	(566,411,511)
	42,606,641	44,874,958
National and provincial government		
Current (0 -30 days)	2,975,366	3,737,992
31 - 60 days	1,880,539	3,509,843
61 - 90 days	1,352,516	982,919
91 - 120 days	724,551	818,235
121 - 365 days	3,845,698	3,380,525
> 365 days	6,628,614	3,659,406
	17,407,284	16,088,920
Total		
Current (0 -30 days)	33,940,822	34,653,079
31 - 60 days	19,003,367	20,871,380
61 - 90 days	16,748,057	15,369,678
91 - 120 days	13,601,280	14,391,792
121 - 365 days	95,746,902	98,661,454
> 365 days	470,816,458	443,428,004
	649,856,886	627,375,387
Less: Allowance for impairment	(589,842,962)	(566,411,510)
	60,013,924	60,963,877
Less: Allowance for impairment		
Current (0 -30 days)	(8,458,679)	(8,675,859)
31 - 60 days	(3,987,821)	(5,535,959)
61 - 90 days	(3,421,812)	(3,792,350)
91 - 120 days	(8,597,396)	(7,756,613)
121 - 365 days	(94,560,770)	(97,222,726)
> 365 days	(470,816,485)	(443,428,005)
	(589,842,963)	(566,411,512)
Total debtor past due but not impaired		
Current (0 -30 days)	25,482,143	25,977,220
31 - 60 days	15,015,546	15,335,422
61 - 90 days	13,326,245	11,577,327
91 - 120 days	5,003,884	6,635,180
121 - 365 days	1,186,106	1,438,728
	60,013,924	60,963,877

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
7. Trade receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(566,411,512)	(530,625,337)
Contributions to allowance	(23,431,451)	(35,786,175)
	(589,842,963)	(566,411,512)

Consumer debtors impaired

As of 30 June 2017, consumer debtors of R589,842,963 (2016: R566,411,512) were impaired and provided for.

The amount of the provision was R23,431,451 as of 30 June 2017 (2016: R35,786,175).

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	181,116	150,116
Bank balances	3	577
Bank overdraft	(4,239,871)	(7,519,029)
	(4,058,752)	(7,368,336)
Current assets	181,119	150,693
Current liabilities	(4,239,871)	(7,519,029)
	(4,058,752)	(7,368,336)

The municipality has an overdraft facilities of R5,000,000 (2016: R5,000,000). At year end the overdraft amounted to R4,217,297 (2016: R7,518,621).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Cheque account (Primary) - 405-289-8966	729,461	1,138,486	6,814,614	(4,217,297)	(7,518,621)	3,260,462
ABSA Bank - Cheque account (Project) - 100-001-0223	2,536	1,908	892,401	(22,574)	(408)	859,585
ABSA Bank - Cheque account - 40-8862-1820	3	577	-	3	577	-
Total	732,000	1,140,971	7,707,015	(4,239,868)	(7,518,452)	4,120,047

9. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	2,932,610	-	2,932,610	3,726,075	-	3,726,075

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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9. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Game stock	3,726,075	(585,950)	(207,515)	2,932,610

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	3,798,825	(72,750)	3,726,075

Non - Financial information

Quantities of each biological asset

Game stock	1,136	1,284
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The stock count were performed by the community services department in March 2017. The Department of Economic, small business development, tourist and environmental affairs of the Free State (DESTE) assists the municipality in the management of the Wolhuterskop Private Nature reserve. During the current financial year, the municipality authorised the culling of 163 black wilde beast and 95 blesbuck on 13 and 14 September 2016.

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	47,996,000	-	47,996,000	47,996,000	-	47,996,000

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	47,996,000	47,996,000

Reconciliation of investment property - 2016

	Opening balance	Total
investment property	47,996,000	47,996,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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10. Investment property (continued)

At initial recognition, the municipality measures investment property at costs and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, investment property is carried at this fair value at the reporting date.

The fair value of the property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr Arthur Lelosa Independent Valuers, who holds a recognised and relevant qualification, during 2015. A certificate to this extent was received from the above-mentioned valuator.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

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11. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Bins and containers	1,257,645	(1,033,389)	224,256	1,257,645	(960,184)	297,461
Community assets - Buildings	263,991,927	(79,922,220)	184,069,707	248,586,318	(70,243,940)	178,342,378
Community assets - Land	140,301,863	-	140,301,863	140,301,863	-	140,301,863
Emergency equipment	283,172	(197,035)	86,137	283,172	(180,825)	102,347
Furniture and fixtures	4,344,678	(3,390,175)	954,503	4,300,963	(2,998,861)	1,302,102
Infrastructure - Electrical	162,488,118	(58,180,716)	104,307,402	154,195,285	(52,130,659)	102,064,626
Infrastructure - Roads	398,698,387	(160,075,607)	238,622,780	381,299,617	(144,345,446)	236,954,171
Infrastructure - Sewer	403,454,664	(122,194,305)	281,260,359	386,030,855	(107,186,739)	278,844,116
Infrastructure - Water	517,603,965	(122,136,339)	395,467,626	454,719,647	(105,878,792)	348,840,855
Infrastructure solid waste - Buildings	17,643,660	(6,519,879)	11,123,781	17,643,660	(5,762,481)	11,881,179
Infrastructure solid waste - Land	4,605,363	-	4,605,363	4,605,363	-	4,605,363
Land - owned	590,329,715	-	590,329,715	590,329,715	-	590,329,715
Leased assets	-	1	1	-	1	1
Motor vehicles	12,277,227	(9,001,842)	3,275,385	12,207,571	(8,572,290)	3,635,281
Office equipment	11,306,643	(8,246,442)	3,060,201	9,783,797	(7,448,894)	2,334,903
Plant and equipment	15,465,037	(11,325,786)	4,139,251	15,080,709	(10,461,955)	4,618,754
Railways	48,755,739	(24,377,870)	24,377,869	48,755,739	(21,669,217)	27,086,522
Security equipment	6,139	(6,137)	2	6,139	(6,137)	2
Work-in-progress	23,178,030	-	23,178,030	76,664,891	-	76,664,891
Total	2,615,991,972	(606,607,741)	2,009,384,231	2,546,052,949	(537,846,419)	2,008,206,530

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Bins and containers	297,461	-	-	-	(73,205)	224,256
Community assets - Buildings	178,342,378	8,297,126	-	7,108,483	(9,678,280)	184,069,707
Community assets - Land	140,301,863	-	-	-	-	140,301,863
Emergency equipment	102,347	-	-	-	(16,210)	86,137
Furniture and fixtures	1,302,102	51,472	(2,281)	-	(396,790)	954,503
Infrastructure - Electrical	102,064,626	1,743,221	-	6,549,612	(6,050,057)	104,307,402
Infrastructure - Roads	236,954,171	6,809,974	-	10,588,797	(15,730,162)	238,622,780
Infrastructure - Sewer	278,844,116	4,926,685	-	12,497,124	(15,007,566)	281,260,359
Infrastructure - Water	348,840,855	34,345,577	(84,476)	28,715,563	(16,349,893)	395,467,626
Infrastructure solid waste - Buildings	11,881,179	-	-	-	(757,398)	11,123,781
Infrastructure solid waste - Land	4,605,363	-	-	-	-	4,605,363
Land - owned	590,329,715	-	-	-	-	590,329,715
Leased assets	1	-	-	-	-	1
Motor vehicles	3,635,281	347,165	(26,823)	-	(680,238)	3,275,385
Office equipment	2,334,903	1,903,577	(96,178)	-	(1,082,101)	3,060,201
Plant and equipment	4,618,754	403,081	(1,934)	-	(880,650)	4,139,251
Railways	27,086,522	-	-	-	(2,708,653)	24,377,869
Security equipment	2	-	-	-	-	2
Work-in-progress	76,664,891	11,972,718	-	(65,459,579)	-	23,178,030
	2,008,206,530	70,800,596	(211,692)	-	(69,411,203)	2,009,384,231

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Bins and containers	373,778	-	-	-	29	(76,346)	297,461
Community assets - Buildings	189,561,832	322,183	(7,580,945)	5,575,945	310	(9,536,947)	178,342,378
Community assets - Land	142,296,849	-	(1,994,986)	-	-	-	140,301,863
Emergency equipment	120,072	-	(70)	-	151	(17,806)	102,347
Furniture and fixtures	1,514,749	320,739	(2,414)	(49,494)	9,693	(491,171)	1,302,102
Infrastructure - Electrical	108,039,191	-	-	-	-	(5,974,565)	102,064,626
Infrastructure - Roads	246,460,916	1,489,480	-	4,420,371	-	(15,416,596)	236,954,171
Infrastructure - Sewer	293,712,965	-	-	-	-	(14,868,849)	278,844,116
Infrastructure - Water	331,895,889	14,198,415	-	17,993,637	-	(15,247,086)	348,840,855
Infrastructure solid waste - Building	12,623,691	-	-	-	-	(742,512)	11,881,179
Infrastructure solid waste - Land	4,605,363	-	-	-	-	-	4,605,363
Land - owned	590,329,715	-	-	-	-	-	590,329,715
Leased assets	1	-	-	-	-	-	1
Motor vehicles	4,178,230	-	(25,030)	-	131,565	(649,484)	3,635,281
Office equipment	2,089,310	1,141,786	(42,728)	-	68,533	(921,998)	2,334,903
Plant and equipment	5,202,066	581,586	(25,730)	-	6,601	(1,145,769)	4,618,754
Railways	29,795,174	-	-	-	-	(2,708,652)	27,086,522
Security equipment	277	-	-	-	-	(275)	2
Work-in-progress	48,706,176	55,899,174	-	(27,940,459)	-	-	76,664,891
	2,011,506,244	73,953,363	(9,671,903)	-	216,882	(67,798,056)	2,008,206,530

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,139,602	(1,785,588)	2,354,014	3,002,432	(1,137,955)	1,864,477

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,864,477	1,137,170	(647,633)	2,354,014

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	69,758	1,906,319	(111,600)	1,864,477

13. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	45,355,000	-	45,355,000	45,355,000	-	45,355,000

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	45,355,000	45,355,000

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	45,355,000	45,355,000

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
14. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa (DBSA)	41,409,208	44,580,921
Interest will be charged at 10% per year. The loan is repayable in monthly installments of R621,615 over a period of 8 years.		
Non-current liabilities		
At amortised cost	37,245,635	40,752,657
Current liabilities		
At amortised cost	4,163,573	3,828,264
15. Payables from exchange transactions		
Trade payables	279,006,329	193,282,448
Trade receivables with credit balances	5,283,925	10,592,658
Deposit on land sales	1,400,000	1,400,000
Deposits received	268,966	213,262
Sundry creditors	11,417,480	10,467,423
Salary related creditors	10,497,119	8,381,930
	307,873,819	224,337,721
16. VAT payable		
VAT accrued on accounts receivable	50,575,024	51,194,438
VAT accrued on accounts payable	(28,192,435)	(16,103,273)
VAT payable to / (refundable by) SARS	9,178,280	2,948,726
	31,560,869	38,039,891
17. Consumer deposits		
Water and electricity	6,652,034	5,950,446
Sundry	250	250
	6,652,284	5,950,696
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
National Development Electrification Grant	-	5,000,000
Movement during the year		
Balance at the beginning of the year	5,000,000	-
Additions during the year	-	89,446,471
Income recognition during the year	-	(84,446,471)
Unspent National Development Electrification grant recovered from equitable share allocation	(5,000,000)	-
	-	5,000,000

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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18. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	5,203,000	-	(2,390,883)	2,812,117
Bonus provision	4,643,795	326,671	-	4,970,466
Leave provision	19,199,826	(939,804)	-	18,260,022
	29,046,621	(613,133)	(2,390,883)	26,042,605

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	4,697,968	505,032	5,203,000
Bonus provision	4,120,714	523,081	4,643,795
Leave provision	16,022,400	3,177,426	19,199,826
	24,841,082	4,205,539	29,046,621

Non-current liabilities	2,812,117	5,203,000
Current liabilities	23,230,488	23,843,621
	26,042,605	29,046,621

Environmental rehabilitation provision

The new dumping site became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 13 200 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years.

The following key assumptions were made that can impact considerably on the calculation of the provision if they change:

- provision was made to dispose of 2 658 800 cubic metre waste that will fill an area of 129 600 square metres x 18 metres high over a lifespan of 20 years
- an average disposal tempo of 160 cubic metres per day over the 20 year lifespan was used for costing calculations
- an annual inflationary increase of 4.8% was used for the projected cost

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

An assessment was done on 25 August 2017 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping site in accordance with its licence agreement.

Bonus provision

The bonus provision is based on the pro-rata portion of the bonuses due to the employees. Annual bonuses are paid to employees in the anniversary month of their employment.

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
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19. Provisions (continued)

Leave provision

Leave provision is based on the outstanding obligation of the municipality regarding the leave balance of the employees at year-end.

20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(18,884,000)	(19,568,000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(19,568,000)	(21,547,000)
Benefits paid	1,852,000	1,641,000
Net expense recognised in the statement of financial performance	(1,168,000)	338,000
	(18,884,000)	(19,568,000)

Net expense recognised in the statement of financial performance

Current service cost	(135,000)	(173,000)
Past service cost	(1,962,000)	(1,908,000)
Actuarial (gains) losses	929,000	2,419,000
	(1,168,000)	338,000

Key assumptions used

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages are calculated as per age on 30 June 2017.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA (post-retirement medical aid) liability involves the following:

- the projection of future post-retirement medical contribution subsidy cash flows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service.
- the medical contribution subsidies arising in respect of adult dependents of employees.
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation.
- discounting these cashflows in order to express the PRMA liability in current Rand terms.

Discount rate used: GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

CPI used (Consumer Price Inflation): Difference between nominal and yield curves.

Medical Aid Contribution Inflation: CPI + 1%

Dihlabeng Local Municipality

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20. Employee benefit obligations (continued)

Net effective discount rate: Yield curve based.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 are in the process of being finalised and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators or the actuaries.

The municipality is under no obligation to cover any unfunded benefits.

21. Long service leave awards

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(13,632,000)	(12,563,000)
Benefits paid	1,859,000	1,882,000
Net expense recognised in the statement of financial performance	(1,918,000)	(2,951,000)
	(13,691,000)	(13,632,000)

Net expense recognised in the statement of financial performance

Current service cost	(1,402,000)	(1,409,000)
Interest cost	(1,513,000)	(1,155,000)
Actuarial (gains) losses	997,000	(387,000)
	(1,918,000)	(2,951,000)

Key assumptions used

The long service leave liability is valued on a generally accepted actuarial valuation method. Ages and gender information as at 30 June 2017 were used.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The actuarial valuation of the Long service leave liability involves the following:

- long service benefits are awarded in the form of leave days and a percentage of salary.
- the calculated award values are then discounted at the assumed discount interest rate to the date of the calculation.
- mortality, retirements and withdrawals from service are also taken into account.
- the liability is determined on the basis that each employee's long service benefits accrues uniformly over the working life of an employee up to the end of the interval at which the benefits becomes payable.
- the current policy for awarding long service awards remains unchanged in the future.

Dihlabeng Local Municipality

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Figures in Rand	2017	2016
22. Revenue		
Rendering of services	1,853,341	1,775,045
Service charges	332,135,474	325,585,327
Rental of facilities and equipment	4,466,819	3,919,415
Interest received (trading)	46,370,368	40,508,060
Licences and permits	69,041	46,239
Other income	9,131,636	5,666,272
Dividends received	8,264	16,686
Property rates	91,450,921	90,188,155
Government grants and subsidies	199,255,223	209,662,471
Fines and penalties	1,018,684	13,365,208
	685,759,771	690,732,878

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	332,135,474	325,585,327
Rendering of services	1,853,341	1,775,045
Rental of facilities and equipment	4,466,819	3,919,415
Interest received (trading)	46,370,368	40,508,060
Licences and permits	69,041	46,239
Other income	9,131,636	5,666,272
Dividends received	8,264	16,686
	394,034,943	377,517,044

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	91,450,921	90,188,155
Transfer revenue		
Government grants and subsidies	199,255,223	209,662,471
Fines and penalties	1,018,684	13,365,208
	291,724,828	313,215,834

23. Service charges

Sale of electricity	182,299,547	174,080,498
Sale of water	60,976,123	67,843,752
Sewerage and sanitation charges	46,846,726	43,694,229
Refuse removal	42,013,078	39,966,848
	332,135,474	325,585,327

Water distribution losses for the year 37.65% (2016: 32.78%)

Electricity distribution losses for the year 14.44% (2016: 7.83%)

The main reasons for the losses are due to the ageing infrastructure of the networks, also the leakages in the water network and the illegal connections in the electricity network.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
24. Rental of facilities and equipment		
Premises		
Premises	3,582,050	3,485,637
Facilities and equipment		
Rental of equipment	884,769	433,778
	4,466,819	3,919,415
25. Other income		
Advertising income	646,239	719,367
Blocked sewerage charges	51,875	30,262
Building plan fees	604,332	533,480
Clearance certificates	307,580	285,985
Encroachment charges	373,516	372,256
Escorting of abnormal freights	109,299	127,964
Insurance claim received	497,492	974,722
Landing charges	39,708	39,055
Donations received	1,807,786	-
Festivals	700	142,010
Parking meter income	9,283	374
Photocopies and faxes	4,524	5,286
Pound sales	-	57,912
Skills development levies received	369,232	333,744
Sundry income	4,307,411	2,124,588
Sundry income: Electricity	(13,667)	(98,412)
Sundry income: Parks	5,350	3,520
Sundry income: Traffic	10,976	14,159
	9,131,636	5,666,272
26. Investment revenue		
Dividend revenue		
Investments	8,264	16,686

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
27. Property rates		
Rates received		
Residential	37,211,571	33,292,934
Commercial	36,697,906	40,234,907
State	15,073,141	14,164,990
Small holdings and farms	3,301,882	3,243,356
Less: Income forgone (Indigent subsidies)	(833,579)	(748,032)
	91,450,921	90,188,155

Valuations

	R '000	R '000
Residential	5,612,148	5,406,400
Commercial	1,687,759	1,646,702
Government	651,435	789,951
Municipal	689,028	709,142
Small holdings and farms	2,811,401	2,808,216
	11,451,771	11,360,411

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0078 (2016: R0.0068) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R22,000 (2016: R22,000) are granted to residential properties and a further 25% (2016: 25%) rebate to pensioners.

A general rate of R0.0232 (2016: R0.0204) is applied to business, industrial, commercial and public service infrastructure property valuations to determine assessment rates. Rebates of 50% (2016: 50%) are granted to public service infrastructure only.

A general rate of R0.0078 (2016: R0.0068) is applied to farm property valuations to determine assessment rates. Rebates of 85% (2016: 85%) are granted to farmers. The rebates granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act no 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date for payment being 7 August 2017. Rates for all other consumers are levied on a monthly basis with the final date for payment before the 7th of each month. Interest at prime plus 1% per annum (2016: prime plus 1%) is levied on rates outstanding after the due date.

The new general valuation will be implemented on 01 July 2017.

Dhlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
28. Government grants and subsidies		
Operating grants		
Equitable share	124,304,000	125,216,000
Expanded Public Works Programme Grant	1,000,000	1,000,000
COGTA (FS) - Financial assistance	1,352,210	-
Municipal Systems Improvement Grant	-	930,000
Financial Management Grant	1,625,000	1,600,000
Library Grant	2,334,000	2,000,000
	130,615,210	130,746,000
Capital grants		
Municipal infrastructure grant (MIG)	36,892,000	37,428,000
Department of Water affairs grant (DWAF)	31,748,013	38,988,471
Water operating grant	-	2,500,000
National Development Electrification Grant	-	-
	68,640,013	78,916,471
	199,255,223	209,662,471
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	69,951,223	209,662,471
Unconditional grants received	124,304,000	125,216,000
	194,255,223	334,878,471
Equitable Share		
Current-year receipts	124,304,000	125,216,000
Conditions met - transferred to revenue	(124,304,000)	(125,216,000)
	-	-
The equitable share allocation was fully utilised during the financial year.		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant		
Current-year receipts	36,892,000	37,428,000
Conditions met - transferred to revenue	(36,892,000)	(37,428,000)
	-	-
This grant was fully utilised for the upgrading of sports facilities, sanitation (upgrading of waste water treatment works) and the construction of roads during the year.		
Municipal Systems Improvement Grant		
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-
The municipal systems improvement grant was fully utilised during the previous financial year.		
Financial Management Grant		

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Figures in Rand	2017	2016
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28. Government grants and subsidies (continued)

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	-

The municipal management grant was fully utilised during the financial year.

Expanded Public Works Programme Grant

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

The expanded public works programme grant was fully utilised during the financial year.

COGTA (FS) - Financial assistance

Current-year receipts	1,352,210	-
Conditions met - transferred to revenue	(1,352,210)	-
	-	-

The financial assistance grant from Free State Cooperative Governance and Traditional Affairs was fully utilised during the financial year.

Department of Water Affairs Grant

Current-year receipts	31,748,013	38,988,471
Conditions met - transferred to revenue	(31,748,013)	(38,988,471)
	-	-

This grant was utilised during the year for the upgrading of the water infrastructure network to Paul Roux and Rosendal.

Water Services Operating Grant

Current-year receipts	-	2,500,000
Conditions met - transferred to revenue	-	(2,500,000)
	-	-

The water service operating grant was fully utilised during the financial year.

Library Grant

Current-year receipts	2,334,000	2,000,000
Conditions met - transferred to revenue	(2,334,000)	(2,000,000)
	-	-

The library grant was fully utilised during the financial year.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
28. Government grants and subsidies (continued)		
National Development Electrification Grant		
Balance unspent at beginning of year	5,000,000	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	-
Unspent amount recovered from Equitable share payments	(5,000,000)	-
	-	5,000,000

Conditions still to be met - remain liabilities (see note 18).

This grant were not utilized during the year under review.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2016) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Employee costs

Basic	124,691,645	115,105,931
Bonus	9,167,548	8,452,864
Medical aid - company contributions	15,074,469	13,412,734
UIF company contributions	1,312,583	1,166,044
Other payroll levies	72,028	68,736
Leave pay provision charge	640,906	3,802,050
Defined contribution plans	4,977,252	5,234,979
Overtime payments	9,510,376	9,156,099
Acting allowances	6,420,261	6,378,148
Car allowance	4,594,178	4,292,272
Housing benefits and allowances	1,838,791	2,213,644
Group life insurance	254,360	241,895
Pensionfund contributions	21,562,331	19,998,856
Other allowances	1,450,128	1,171,203
Telephone allowances	313,042	263,750
Relief payments	3,661,652	3,432,719
	205,541,550	194,391,924

Remuneration of municipal manager

Annual Remuneration	1,139,539	66,276
Car Allowance	447,157	15,000
Leave paid out	91,306	136,583
Contributions to UIF, Medical and Pension Funds	17,317	1,323
Cellphone allowance	18,000	1,500
	1,713,319	220,682

Mr B Molotsi as from 1 July 2015 to 27 July 2015 and Mr BP Molatseli as from 01 July 2016 to 30 June 2017.

Dihlabeng Local Municipality

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Figures in Rand	2017	2016
29. Employee costs (continued)		
Remuneration of chief finance officer		
Annual Remuneration	809,546	381,811
Car Allowance	279,139	138,801
Leave paid out	-	349,448
Contributions to UIF, Medical and Pension Funds	11,284	17,245
Cellphone allowance	12,000	6,000
Acting allowance as CFO	-	79,617
	1,111,969	972,922

Mr RP Provis only leave paid out in 2016 year. Mr PD Khiba from 1 January 2016 to 30 June 2017.

Remuneration of director public works

Annual Remuneration	717,744	1,014,275
Car Allowance	242,316	346,439
Leave paid out	344,656	-
Contributions to UIF, Medical and Pension Funds	13,957	14,757
Cellphone allowance	8,000	12,000
	1,326,673	1,387,471

Mr AB Masuku from 1 July 2015 to 28 February 2017.

Remuneration of director corporate services

Annual Remuneration	-	1,014,275
Car Allowance	-	400,549
Performance Bonuses	-	81,300
Contributions to UIF, Medical and Pension Funds	-	16,980
Other	-	12,000
Other	-	140,992
	-	1,666,096

Mr BP Molatseli from 1 July 2015 to 30 June 2016.

Remuneration of director community services

Annual Remuneration	806,429	1,014,275
Car Allowance	269,256	350,928
Leave paid out	327,414	81,284
Contributions to UIF, Medical and Pension Funds	15,069	15,570
Other	9,000	12,000
	1,427,168	1,474,057

Mrs MC Sepheka from 1 July 2015 to 30 March 2017.

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Annual Financial Statements for the year ended 30 June 2017

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29. Employee costs (continued)

Remuneration director of local economic development

Annual Remuneration	716,826	1,014,275
Car Allowance	244,510	346,331
Leave paid out	281,471	157,252
Contributions to UIF, Medical and Pension Funds	13,316	16,403
Cellphone allowance	8,000	12,000
Acting allowance as MM	-	7,374
	1,264,123	1,553,635

Mrs GT Hadebe from 1 July 2015 to 28 February 2017.

30. Remuneration of councillors

2017	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	662,095	99,935	27,510	789,540
Speaker	530,298	80,104	27,510	637,912
Chief whip	41,941	10,485	1,853	54,279
Chairman Public Accounts committee	39,145	9,786	1,853	50,784
Chairman Policy committee	21,632	5,408	1,853	28,893
Mayoral executive committee	3,445,417	625,839	161,768	4,233,024
Councillors	5,855,890	1,145,792	644,504	7,646,186
	10,596,418	1,977,349	866,851	13,440,618

2016	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	629,649	157,412	20,868	807,929
Speaker	503,718	125,929	20,868	650,515
Chief whip	472,237	118,059	20,868	611,164
Chairman Public Accounts committee	440,754	110,188	20,868	571,810
Chairman Policy committee	243,563	60,891	20,868	325,322
Mayoral executive committee	3,777,895	944,474	166,944	4,889,313
Councillors	5,116,280	1,279,073	562,555	6,957,908
	11,184,096	2,796,026	833,839	14,813,961

In-kind benefits

The Mayor, Speaker, Chief whip, Chairpersons of committees and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

31. Depreciation, impairment and amortisation

Intangible assets	647,632	111,600
Property, plant and equipment	69,411,202	67,799,367
	70,058,834	67,910,967

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Figures in Rand	2017	2016
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31. Depreciation, impairment and amortisation (continued)

Also refer to the detail note on Intangible assets (Note 12) and Property, plant and equipment (Note 11) for the details on depreciation and impairment.

32. Finance costs

Penalties and Interest on late payment of VAT	5,367,669	790,842
Other interest paid	11,331,106	16,293,816
	16,698,775	17,084,658

33. Debt impairment

Contributions to debt impairment on consumer debtors and exchange debtors	25,186,618	35,786,175
Contributions to debt impairment on non-exchange debtors	1,724,507	11,644,119
Bad debts written off	101,332,488	93,797,161
	128,243,613	141,227,455

34. Bulk purchases

Electricity	152,294,859	142,869,019
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35. Contracted services

Meter reading services - Kopanong CC	2,521,517	2,636,051
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Dihlabeng Local Municipality

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Figures in Rand	2017	2016
36. General expenses		
Advertising	822,815	761,893
Assets expensed	283,238	450,120
Auditors remuneration	3,956,523	4,905,870
Bank charges	1,314,580	1,124,071
Bursaries	2,516,093	3,083,251
Capital projects	1,143,056	599,397
Chemicals	3,382,439	1,300,416
Commission paid	2,812,911	-
Community development and training	8,436,979	11,181,008
Consulting and professional fees	13,242,668	23,754,707
Consumables	166,731	213,442
Donations	4,258,843	3,107,341
Entertainment	243,601	272,159
EPWP Grant expenses	165,133	331,054
Fines and penalties	194,465	21,661
Flowers	-	67,688
Fuel and oil	8,521,527	8,063,637
Insurance	5,656,588	4,732,290
Lease expenses	3,800,432	16,719,964
License fees	1,907,444	1,994,729
Management of landfill site	6,722,217	11,217,322
Valuation costs	1,600,000	-
Packaging	132,296	61,185
Pauper burials	71,707	124,976
Postage and courier	2,270,767	2,115,475
Printing and stationery	713,816	988,617
Promotions and marketing	350,179	79,462
Public participation expenses	5,347,022	6,458,268
Rental of equipment	32,160,775	9,459,124
Security (Guarding of municipal property)	19,929,689	15,132,812
Staff training	629,080	1,385,992
Subscriptions and membership fees	4,225,365	3,702,608
Telephone and fax	3,905,118	3,441,089
Travel - local	1,575,507	3,194,431
Uniforms	2,734,488	1,530,362
	145,194,092	141,576,421
37. Fair value adjustments		
Other financial assets / liabilities		
• Investments	76,146	27,327
38. Auditors' remuneration		
Fees	3,956,523	4,905,870
39. Operating lease income		
Projected income from operating lease agreements		
- Within one year	516,410	391,758
- In second to fifth years (inclusive)	2,228,889	1,797,967
- Longer than 5 years	83,407	238,944
	2,828,706	2,428,669

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39. Operating lease income (continued)

Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, thereafter the contract is done on a month to month basis. All the house and flat contracts got a month notice period. New tenants are normally found within that period. The projected income are thus only included in the period within one year. Contracts for business premises (7) rental are signed for a periods from 3 year to 9 years and 11 months. Escalation on these contracts are done on an annual basis linked to the inflation rate.

40. Cash generated from operations

Deficit	(70,070,612)	(56,150,544)
Adjustments for:		
Depreciation and amortisation	70,058,834	67,910,967
(Loss) / Profit on sale of assets and liabilities	(447,271)	5,987,216
Gain (loss) on game stock	207,515	72,750
Actuarial gain	(1,926,000)	(2,032,000)
Fair value adjustments on investments	(76,146)	(27,327)
Debt impairment	128,243,613	141,227,455
Movements in provisions	(3,004,016)	4,205,539
Changes in working capital:		
Inventories	(184,812)	(734,387)
Receivables from exchange transactions	1,576,562	(5,434,872)
Consumer debtors	(123,813,986)	(128,611,141)
Other receivables from non-exchange transactions	812,448	(9,811,578)
Payables from exchange transactions	86,964,758	40,949,809
VAT	(6,479,022)	(401,164)
Unspent conditional grants and receipts	(5,000,000)	5,000,000
Provisions	701,588	1,035,826
	77,563,453	63,186,549

Dihlabeng Local Municipality

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Figures in Rand	2017	2016
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41. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

Financial liabilities

2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1,472,952	-	-	1,472,952
Trade and other receivables from exchange transactions	-	23,627,615	-	23,627,615
Other receivables from non-exchange transactions	-	2,714,217	170,000	2,884,217
Consumer debtors	-	60,963,877	-	60,963,877
Cash and cash equivalents	-	150,693	-	150,693
	1,472,952	87,456,402	170,000	89,099,354

Financial liabilities

	At amortised cost	Total
Other financial liabilities	44,580,921	44,580,921
Trade and other payables from exchange transactions	224,337,718	224,337,718
Taxes and transfers payable (non-exchange)	34,347,479	34,347,479
Bank overdraft	7,519,029	7,519,029
	310,785,147	310,785,147

Dihlabeng Local Municipality

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Figures in Rand	2017	2016
42. Commitments		
Authorised capital and operational expenditure		
Capital expenditure		
• Property, plant and equipment	76,113,555	69,136,010
Operational expenditure		
• Insurance	9,128,185	14,875,347
• Security services	-	37,093,905
• Computer expenses	293,718	-
• Town planning	649,800	991,800
• Landfill site management	16,578,329	21,778,443
• Valuation roll maintenance	406,363	2,002,363
• General maintenance	-	1,029,420
• Special projects	-	2,612,383
	27,056,395	80,383,661
Total commitments		
Capital commitments	76,113,555	69,136,010
Operational commitments	27,056,395	80,383,661
	103,169,950	149,519,671

This committed expenditure of the following cannot be determined due to the variable nature of the contract:

Project Description:	Carboncor - Supply and delivery of 25 kg bags of cold mix asphalt	
Project Value:	R70.22 per 25kg bag	
Expenditure to date:	R1 719 084 (2017)	R1 719 084 (2016)
Project Description:	Oos Vrystaat Grondverskuiwing, Aqua Transport and Mashinini Trust - Hire of yellow plant and equipment	
Project Value:	As per pricing schedule	
Expenditure to date:	R11 142 150 (2017)	R13 324 500 (2016)
Project Description:	Bohlokong Computers - Design and administer Information, Communication and Technology services	
Project Value:	As per pricing schedule	
Expenditure to date:	R6 588 593 (2017)	R6 207 505 (2016)
Project Description:	Integral Laboratories - Laboratory services for the analysis of water and waste water samples	
Project Value:	As per pricing schedule	
Expenditure to date:	R248 797 (2016)	R190 692 (2016)
Project Description:	Hamisa - Supply and delivery of fuel	
Project Value:	As per regulated tariffs by Department of Energy	
Expenditure to date:	R5 404 770 (2016)	R5 672 092 (2016)
Project Description:	Pumpshop Africa & Tecrover - Appointment of service provider to refurbish, maintain, supply, deliver and install electrical and mechanical equipment	

Dihlabeng Local Municipality

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42. Commitments (continued)

Project Value:	As per pricing schedule	
Expenditure to date:	R1 923 351 (2016)	R463 307 (2015)
Project Description:	Walking Tall Trading and Projects - Supply and Delivery of Personnel Protective Equipment	
Project Value:	As per pricing schedule	
Expenditure to date:	R1 581 543 (2017)	R1 340 164 (2016)
Project Description:	Ben Ben Technologies (Pty) Ltd - Mechanical services, repairs and maintenance of municipal vehicles	
Project Value:	As per pricing schedule	
Expenditure to date:	R743 218 (2017)	R1 064 523 (2016)
Project Description:	Radimpe Construction and General Trade - Supply and delivery of Electricity Materials	
Project Value:	As per pricing schedule	
Expenditure to date:	R7 355 526 (2017)	R1 734 964 (2016)
Project Description:	Jicama Trading, Blendtech and Born Free Investments - Supply and delivery of chemicals for water purification	
Project Value:	As per pricing schedule	
Expenditure to date:	R2 328 106 (2017)	R- (2016)
Project Description:	Clarens Village Conservancy - Environmental management and waste recycling services at Clarens Unit	
Project Value:	As per pricing schedule	
Expenditure to date:	R78 801 (2017)	R75 049 (2016)
Project Description:	Bravolex Hexing - Sourcing of funds, supply, installation and commissioning of a smart metering solution	
Project Value:	As per pricing schedule	
Expenditure to date:	R- (2017)	
Project Description:	Kunene Rampala Inc - Registered debt collection agency	
Project Value:	10% commission fee	
Expenditure to date:	R- (2017)	
Project Description:	Ikagend Electrical Contractors - Manufacture, supply, delivery, erection, testing and maintenance of 40m RYLO type high mast	
Project Value:	As per pricing schedule	
Expenditure to date:	R- (2017)	

Dihlabeng Local Municipality

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43. Contingencies

The following civil cases are currently being finalised:

Bruce Dixon Edward Weyer:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the renting and buying of a Caravan Park in Clarens. No liability for Council at this stage.

Telkom Limited SA/DLM:

This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R141 514. Telkom claim that a sewerage spillage damaged their equipment. Possible liability of R191 329.

Udumo Trading 147 CC:

This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Udumo Trading lodged against the Dihlabeng Local Municipality for R1 159 000. Udumo claim that they completed a reservoir in Clarens and was not fully paid. Possible liability of R1 159 000.

Wage curve agreements:

Dihlabeng has not been task graded as yet and therefore the new T scales cannot be implemented. No job grade evaluations has been done either for the posts at DLM. Since this information is not available yet, no financial implications can be established. Only after the job evaluations has been accepted and approved by all the applicable parties a financial implication can be calculated.

N and C Maintenance and Spares (Pty) Ltd

This case is handled by Niemann Grobbelaar Attorneys and is regarding an outstanding payment for services rendered by N and C Maintenance and Spares (Pty) Ltd. Possible liability is not yet established.

Rudnat Projects CC:

This case is handled by Niemann Grobbelaar Attorneys and is regarding an outstanding payment for services rendered by Rudnat Projects for the development of a water service feasibility study and consolidation of existing feasibilities for Dihlabeng, Nketoana, Phumelela en Setsoto Municipalities. Possible liability is not yet established.

South African Municipal Workers Union (SAMWU) National Provident Fund:

This case is handled by Niemann Grobbelaar Inc. The SAMWU Provident Fund is claiming an amount of R2 370 801 for loss of income due to the fact that dismissed employees changed pension funds. Possible liability of R2 370 801.

GT Enslin and ZT Enslin:

This case is handled by Symington and De Kok Attorneys, Bloemfontein, and is regarding a motor accident claim of Mr GT Enslin and ZT Enslin to the amount of R872 381. It must be noted that this is also an insurance claim. Possible liability of R872,381.

Telkom SA Soc Ltd:

This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the total amount of R211 669. Telkom claim that telecommunication cables and/or telecommunication infrastructure was damaged at or near Stand 653, at or near Stands 36, 60, 102 and 145 and at or near Stand 400, Fateng tse Ntsho, Paul Roux. Possible liability of R211 669.

KP Mosia:

This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim for water damages to Erven 66 and 284, Kgubetswana, Clarens. Possible liability of R82 000 and R100 679.

Cybko Security Services CC:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the awarding of a tender to Zero Tolerance Security for the provision of physical security services for a period of three years. Possible liability is not yet established.

TMT Services & Supplies (Pty) Ltd t/a Traffic Management Technologies (Pty) Ltd:

This case is handled by Niemann Grobbelaar Attorneys and is regarding an outstanding payment of service fees for services rendered by TMT Services & Supplies (Pty) Ltd.

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43. Contingencies (continued)

Van Niekerk B R: Hanger 5:

This case is handled by Niemann Grobbelaar Attorneys and is regarding an eviction from Hanger 5 at the Bethlehem Airfield. Possible liability is not yet established.

Solocorp 112 t/a The Pumpshop Africa :

This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim for goods and services delivered. Possible liability of R2 272 881.

Emendo Inc: Development Agreement: Bakenpark Extensions 5, 6 & 7:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the lodging of a High Court Application regarding the appointment of Emendo Inc to nullify the agreement of the land availability and development agreement for Bakenpark Extensions 5, 6 & 7.

Ke a Dira Construction:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the appointment of another service provider for the construction of 1,8 km block paved roads and storm water drains in Bohlakong, Bethlehem.

MVD Xariep Raadgewende Ingeeneurs CC:

This case is handled by Niemann Grobbelaar Inc and is regarding an outstanding payment for professional services rendered to the municipality. Possible liability of R423 472.

Telkom SA Soc Ltd:

This case is handled by Niemann Grobbelaar Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R141 514. Telkom claim that telecommunication cables and/or telecommunication infrastructure was damaged.

SAMWU obo Mafika Nhlapo:

That the arbitration award issued by the South African Local Government Bargaining Council (SALGBC) be made an order of the Labour Court. The review of this award is handled by Niemann Grobbelaar.

44. Related parties

Relationships

Municipal ward councillor

Mofumahadi General Services t/a Mabuyas Funeral Services from MF Mabuya

Related party transactions

Purchases from related parties

Mofumahadi General Services t/a Mabuyas Funeral Services	14,200	-
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45. Prior period errors

A calculation error were discovered on the Land owned register and corrected.

An audit were conducted by SARS on the VAT and various input amounts were not allowed and VAT were not accounted for on all sundry income accounts.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	2016	2015
Property, plant and equipment	-	174,855,215
VAT payable	(1,875,813)	(1,816,599)
Opening Accumulated Surplus or Deficit	-	(173,038,616)
Statement of Financial Performance		
Sundry income	175,821	-
Operating expenditure	1,699,992	-

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46. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	41,409,208	4,163,573	18,110,583	19,135,052
Derivative financial instruments	28,433,488	23,230,488	-	5,203,000
Trade and other payables	306,226,174	306,226,174	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	44,580,921	3,828,264	16,399,972	24,352,685
Derivative financial instruments	29,046,621	23,843,621	-	5,203,000
Trade and other payables	224,337,721	224,337,721	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due dates are cut immediately.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management.

Dihlabeng Local Municipality

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46. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

47. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had incurred a net loss of R70,070,612 (2016: R56,150,544) during the year, and that the municipality's current liabilities exceed its current assets by R295,926,565 (2016: R218,447,765). In addition, the municipality owed Eskom R172 364 929 (2016: R108,217,546) as at 30 June 2017 which is long overdue. The municipality is not able to timeously recover outstanding amounts from consumer debtors and this is resulting in the inability to pay their suppliers within the 30 day time period.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

48. Events after the reporting date

There is no events after the reporting date.

49. Unauthorised expenditure

Opening balance	67,598,316	75,867,526
Current year unauthorised expenditure	82,932,419	76,123,483
Less: Approved by Council during the year	-	(34,392,693)
Less: Approved by Council after year-end	(79,000,000)	(50,000,000)
	<u>71,530,735</u>	<u>67,598,316</u>

The reason for the unauthorised expenditure was mainly the increase in the provision for bad debts above the budgeted amount of R30m and bulk purchases of R18m. An amount of R79million was already approved / written off by council on 31 August 2017 with resolution number 57/2017. No criminal or disciplinary steps taken will be taken as a consequence of above expenditure.

50. Fruitless and wasteful expenditure

Opening balance	26,087,544	25,295,005
Interest paid during the year	20,848,326	11,887,300
Less: Approved by Council during the current year	-	(11,094,761)
	<u>46,935,870</u>	<u>26,087,544</u>

Interest and penalties paid on Eskom, SARS and other creditors occurred due to cash flow constraints during the year.

51. Irregular expenditure

Opening balance	74,714,661	124,096,494
Add: Irregular Expenditure - current year	11,106,694	37,079,173
Less: Amounts written off by Council	-	(86,461,006)
	<u>85,821,355</u>	<u>74,714,661</u>

Dihlabeng Local Municipality

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51. Irregular expenditure (continued)

Analysis of expenditure awaiting approval

Current year: SCM processes	11,106,694	14,260,575
Current year: SCM deviations	-	17,818,598
Conditional grants not used in terms of conditions	5,000,000	5,000,000
Prior years: SCM processes	28,268,407	14,007,832
Prior years: SCM deviations	41,446,254	23,627,656
	85,821,355	74,714,661

Possible irregular expenditure pending further investigation

Name of director	State institution where employed	Company name	Amount of expenditure
Mr and Mrs Pretorius	South African Express	Heymic Aviation	12,440
Mr T Thebele	Small Enterprise Development Agency	Thibella Trading	265,498
Mr S J Mokoena	Eskom Holdings Limited	Marnello Trading 848 CC	26,396
Ms M Mokoena	Free State Education	Like it in Style	9,000
Mr K Radebe	National Public Works	Mvukubona Trading (Pty) Ltd	280,000
Mr T Mpatuli	Department of Defence	Funky Sounds and Events	23,500
Mr Pompei Esiaiah	Ekurhuleni Metro	Boni Guru Holdings	47,325
Mr M Mngomezulu	Independent Electoral Commission	Boni Guru Holdings	-
Ms P Fihlo	National Labour	Heavenly Grace (Pty) Ltd	13,300
Mr H Manzi	Independent Development Trust	The Courier & Freight Group (Pty) Ltd	30,102
Mr J Mathibe	Johannesburg Fresh Produce Market	The Courier & Freight Group (Pty) Ltd	-
Mr P Shu'ayb	South African Post Office	The Courier & Freight Group (Pty) Ltd	-
Mr Alex Darko	Transnet Group	Business Connexion (Pty) Ltd	3,475,125
			4,182,686

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,907,070	1,720,204
Current year subscription / fee	1,907,070	1,907,070
Amount paid - previous years	(1,907,070)	(1,720,204)
	1,907,070	1,907,070

Audit fees

Opening balance	264,450	901,666
Current year subscription / fee	3,937,432	5,084,187
Amount paid - current year	(2,622,811)	(4,819,737)
Amount paid - previous years	(264,450)	(901,666)
	1,314,621	264,450

PAYE and UIF

Opening balance	2,034,803	1,682,864
Current year subscription / fee	26,615,347	24,151,494
Amount paid - current year	(24,423,002)	(22,116,691)
Amount paid - previous years	(2,034,803)	(1,682,864)
	2,192,345	2,034,803

Dhlabeng Local Municipality

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	4,779,882	4,184,658
Current year subscription / fee	59,447,854	65,999,248
Amount paid - current year	(54,280,858)	(61,219,366)
Amount paid - previous years	(4,785,109)	(4,184,658)
	<u>5,161,769</u>	<u>4,779,882</u>

VAT

VAT payable	<u>31,560,869</u>	<u>38,039,891</u>
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VAT output payables and VAT input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

Dihlabeng Local Municipality

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ME Lekhoa	2,571	37,013	39,584
PD Lengoabala	25,622	200,078	225,700
J Nhlapo	2,497	36,089	38,586
MF Mabuya	4,259	56,698	60,957
MA Maleka	1,343	462	1,805
EM Maswili	3,879	82,551	86,430
TJ Mbambi	72	28	100
TI Mofokeng	2,220	18,979	21,199
TM Mofokeng	1,976	4,435	6,411
TMH Mofokeng	2,287	5,689	7,976
MA Motaung	408	2,179	2,587
MD Motaung	8,285	4,140	12,425
ET Motloung	3,073	24,054	27,127
MK Mthombeni	3,337	4,948	8,285
MV Olifant	306	90	396
JM Radebe	2,155	32,041	34,196
ME Sempe	2,033	28,817	30,850
TJ Tseki	3,454	6,078	9,532
DL Xaba	2,323	3,377	5,700
	72,100	547,746	619,846

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	22,962	160,557	183,519
NN Nzimande	3,669	80,043	83,712
TA Masoeu	2,503	9,249	11,752
TM Mofokeng	3,057	4,215	7,272
TMH Mofokeng	1,180	59,046	60,226
J Nhlapo	2,287	31,140	33,427
MK Mofokeng	2,555	1,762	4,317
AM Noosi	3,540	9,620	13,160
TP Ramaele	2,048	26,217	28,265
JM Radebe	1,246	1,518	2,764
A Mofokeng	2,585	16,930	19,515
F Mhlambi	5,456	94,983	100,439
	53,088	495,280	548,368

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount	Aging (in days)
ME Lekhoa	39,584	120
PD Lengoabala	240,285	120
J Nhlapo	38,586	120
MF Mabuya	64,198	120
MA Maleka	8,662	120

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

EM Maswili	86,430	120
TJ Mbambi	4,768	120
TI Mofokeng	21,199	120
TM Mofokeng	9,752	120
THM Mofokeng	7,976	120
MA Motaung	17,272	120
MD Motaung	12,425	120
ET Motloung	27,127	120
MK Mthombeni	8,245	120
MV Olifant	5,664	120
JM Radebe	34,196	120
ME Sempe	30,850	120
TJ Tseki	12,696	120
DL Xaba	42,485	120
	712,400	2,280

30 June 2016

	Highest outstanding amount	Aging (in days)
PF Lengoabala	183,730	120
NN Nzimande	83,712	120
TA Masoeu	11,752	120
TM Mofokeng	7,272	120
TMH Mofokeng	60,226	120
J Nhlapo	33,427	120
MK Mofokeng	4,317	120
AM Noosi	23,690	120
TP Ramaele	28,265	120
JM Radebe	2,765	120
A Mofokeng	19,515	120
F Mhlambi	100,439	120
	559,110	1,440

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Emergencies	402,464	261,696
Sole providers	175,715	1,084,713
Impractical	127,106	291,970
	705,285	1,638,379

53. Budget differences

Material differences between budget and actual amounts

Refer to paragraph 2.4 of the Accounting officers report for the detail explanations of the material variances.

Dihlabeng Local Municipality

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54. In-kind donations and assistance

600 Blankets was donated to the elders in different wards during the year.

970 Food parcels were donated by the Mayor to various community members.

105 Calculators was donated to Tiisetsang High School in Bethlehem.

Catering Equipment was donated to Dihlabeng burial societies during the year.

Cash amount donated to Phedisang bana charity golf day and Women of soul events.

Clothing and laptops donated to Miya Tsietsi and Molehe Lehlohonolo by the Mayor.

500 Sanitary Towels donated to Taung School in Rosendal.

Christmas gifts donated to orphans.

Banners donated to schools by the Mayor.

26 Soccer kits donated to Dihlabeng football clubs by the mayor during easter.

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
61007269	30/06/2025	44,580,921	-	3,171,713	41,409,208	-	-
		44,580,921	-	3,171,713	41,409,208	-	-
		44,580,921	-	3,171,713	41,409,208	-	-
		44,580,921	-	3,171,713	41,409,208	-	-

Dhlabeng Local Municipality
Dhlabeng Local Municipality
Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land Owned	590,329,715	-	-	-	-	-	590,329,715	-	-	-	-	-	-	590,329,715
Land - Solid waste	4,605,363	-	-	-	-	-	4,605,363	-	-	-	-	-	-	4,605,363
Buildings - Solid waste	17,643,660	-	-	-	-	-	17,643,660	(5,762,481)	-	-	(757,398)	-	(6,519,879)	11,123,781
	612,578,738	-	-	-	-	-	612,578,738	(5,762,481)	-	-	(757,398)	-	(6,519,879)	606,058,859
Infrastructure														
Water	454,719,647	34,345,577	(176,821)	28,715,563	-	-	517,603,966	(105,878,792)	92,345	-	(16,349,893)	-	(122,138,340)	395,467,626
Sewer	386,030,855	4,926,685	-	12,497,124	-	-	403,454,664	(107,186,739)	-	-	(15,007,566)	-	(122,194,305)	281,260,359
Roads	381,259,617	6,809,974	-	10,588,797	-	-	398,698,388	(144,345,446)	-	-	(15,730,162)	-	(160,075,608)	238,622,780
Electricity	154,195,285	2,402,084	-	6,549,612	-	-	163,146,981	(52,130,659)	-	-	(6,075,533)	-	(58,206,192)	104,940,789
Railways	48,755,739	-	-	-	-	-	48,755,739	(21,669,217)	-	-	(2,708,653)	-	(24,377,870)	24,377,869
Work in progress	76,664,891	11,972,718	-	(65,459,579)	-	-	23,178,030	-	-	-	-	-	-	23,178,030
	1,501,666,034	60,457,038	(176,821)	(7,108,483)	-	-	1,554,837,768	(431,210,853)	92,345	-	(55,871,807)	-	(486,990,315)	1,067,847,453
Community Assets														
Land	140,301,863	-	-	-	-	-	140,301,863	-	-	-	-	-	-	140,301,863
Buildings	248,586,318	8,297,126	-	7,108,483	-	-	263,991,927	(70,243,940)	-	-	(9,678,280)	-	(79,922,220)	184,069,707
	388,888,181	8,297,126	-	7,108,483	-	-	404,293,790	(70,243,940)	-	-	(9,678,280)	-	(79,922,220)	324,371,570

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Motor vehicles	12 207,571	347 165	(277,509)	-	-	-	12,277,227	(8,572,290)	250,687	-	(680,238)	-	(9,001,841)	3,275,366
Office equipment	9,783,797	1,903,577	(380,731)	-	-	-	11,306,643	(7,448,894)	284,553	-	(1,082,101)	-	(8,246,442)	3,060,201
Bins and containers	1,257,645	-	-	-	-	-	1,257,645	(960,184)	-	-	(73,205)	-	(1,033,389)	224,256
Emergency equipment	283,172	-	-	-	-	-	283,172	(180,825)	-	-	(15,210)	-	(197,035)	86,137
Furniture & Fittings	4,300,963	51,472	(7,756)	-	-	-	4,344,679	(2,998,661)	5,475	-	(396,790)	-	(3,390,176)	954,503
Security equipment	6,139	-	-	-	-	-	6,139	(6,137)	-	-	-	-	(6,137)	2
Plant and equipment	15,080,709	403,081	(18,754)	-	-	-	15,465,036	(10,461,955)	16,819	-	(880,650)	-	(11,325,786)	4,139,250
	42,919,996	2,705,295	(684,750)	-	-	-	44,940,541	(30,629,146)	557,534	-	(3,129,194)	-	(33,200,806)	11,739,735

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	612 578,738	-	-	-	-	-	612,578,738	(5,762,481)	-	-	(757,398)	-	(6,519,879)	606,058,859
Infrastructure	1,501,666,034	60,457,038	(176,821)	(7,108,483)	-	-	1,554,837,768	(431,210,853)	92,345	-	(55,871,807)	-	(486,990,315)	1,067,847,453
Community Assets	388,888,181	8,297,126	-	7,108,483	-	-	404,293,790	(70,243,940)	-	-	(9,678,280)	-	(79,922,220)	324,371,570
Other assets	42 919,996	2,705,295	(684,750)	-	-	-	44,940,541	(30,629,146)	557,534	-	(3,129,194)	-	(33,200,806)	11,739,735
	2,546,052,949	71,459,459	(861,571)	-	-	-	2,616,650,837	(537,846,420)	649,879	-	(69,436,679)	-	(606,633,220)	2,010,017,617
Agricultural/Biological assets														
Game stock	3,726,075	-	-	-	(72,750)	-	3,653,325	-	-	-	-	-	-	3,653,325
	3,726,075	-	-	-	(72,750)	-	3,653,325	-	-	-	-	-	-	3,653,325
Intangible assets														
Computers - software & programming	3,002,432	1,137,171	-	-	-	-	4,139,603	(1,137,955)	-	-	(647,632)	-	(1,785,587)	2,354,016
	3,002,432	1,137,171	-	-	-	-	4,139,603	(1,137,955)	-	-	(647,632)	-	(1,785,587)	2,354,016
Investment properties														
Investment property	47,996,000	-	-	-	-	-	47,996,000	-	-	-	-	-	-	47,996,000
	47,996,000	-	-	-	-	-	47,996,000	-	-	-	-	-	-	47,996,000
Total														
Land and buildings	612 578,738	-	-	-	-	-	612,578,738	(5,762,481)	-	-	(757,398)	-	(6,519,879)	606,058,859
Infrastructure	1,501,666,034	60,457,038	(176,821)	(7,108,483)	-	-	1,554,837,768	(431,210,853)	92,345	-	(55,871,807)	-	(486,990,315)	1,067,847,453
Community Assets	388,888,181	8,297,126	-	7,108,483	-	-	404,293,790	(70,243,940)	-	-	(9,678,280)	-	(79,922,220)	324,371,570
Other assets	42 919,996	2,705,295	(684,750)	-	-	-	44,940,541	(30,629,146)	557,534	-	(3,129,194)	-	(33,200,806)	11,739,735
Agricultural/Biological assets	3,726,075	-	-	-	(72,750)	-	3,653,325	-	-	-	-	-	-	3,653,325
Intangible assets	3,002,432	1,137,171	-	-	-	-	4,139,603	(1,137,955)	-	-	(647,632)	-	(1,785,587)	2,354,016
Investment properties	47,996,000	-	-	-	-	-	47,996,000	-	-	-	-	-	-	47,996,000
	2,600,777,456	72,596,630	(861,571)	-	(72,750)	-	2,672,439,765	(538,984,375)	649,879	-	(70,084,311)	-	(608,418,807)	2,064,020,958

Dhlabeng Local Municipality
Dhlabeng Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land Owned	415,474,500	-	-	-	-	-	415,474,500	-	-	-	-	-	-	415,474,500
Land - Solid waste	4,605,363	-	-	-	-	-	4,605,363	-	-	-	-	-	-	4,605,363
Building - Solid waste	13,930,005	-	-	-	-	-	13,930,005	(2,766,430)	-	-	(757,396)	-	(3,523,826)	10,406,179
	434,009,868	-	-	-	-	-	434,009,868	(2,766,430)	-	-	(757,396)	-	(3,523,826)	430,486,042
Infrastructure														
Water	355,110,528	1,562,485	-	53,998,967	-	-	410,671,980	(75,177,679)	-	-	(15,223,676)	-	(90,401,355)	320,270,625
Sewer	329,416,009	1,649,233	-	22,726,103	-	-	353,791,345	(78,307,477)	-	-	(13,217,160)	-	(91,524,637)	262,266,708
Roads	366,254,848	5,567,302	-	3,567,616	-	-	375,389,766	(112,666,229)	-	-	(16,262,621)	-	(128,928,850)	246,460,916
Electricity	150,955,130	2,766,592	-	-	-	-	153,721,722	(41,965,565)	-	-	(5,599,544)	-	(47,565,109)	106,156,613
Railways	48,755,739	-	-	-	-	-	48,755,739	(16,251,913)	-	-	(2,708,652)	-	(18,960,565)	29,795,174
Work in progress	105,296,218	41,608,926	-	(91,919,327)	-	-	54,985,817	-	-	-	-	(6,279,641)	(6,279,641)	48,706,176
	1,355,788,472	53,154,538	-	(11,626,641)	-	-	1,397,316,369	(324,368,863)	-	-	(53,011,653)	(6,279,641)	(383,660,157)	1,013,656,212
Community Assets														
Land	142,296,849	-	-	-	-	-	142,296,849	-	-	-	-	-	-	142,296,849
Buildings	231,826,682	2,478,919	-	7,711,669	-	-	242,017,270	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	193,748,166
	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other assets														
Motor vehicles	12,467,530	117,356	-	-	-	729,754	13,314,640	(7,756,531)	-	-	(659,317)	(15,827)	(8,431,675)	4,882,965
Office equipment	9,244,463	579,560	-	-	-	292	9,824,315	(6,726,005)	-	-	(719,250)	(589,097)	(8,034,352)	1,789,963
Bins and containers	1,257,505	-	-	-	-	-	1,257,505	(807,374)	-	-	(76,308)	(132)	(883,814)	373,691
Emergency equipment	333,120	-	-	-	-	-	333,120	(196,704)	-	-	(17,011)	(6,904)	(220,619)	112,501
Security equipment	6,139	-	-	-	-	-	6,139	(5,583)	-	-	(279)	-	(5,862)	277
Plant and equipment	15,913,785	79,763	-	-	-	5,693	16,999,241	(9,401,566)	-	-	(1,109,894)	(412,439)	(10,923,899)	5,075,342
Furniture and fixtures	4,355,470	56,267	-	-	-	1,458	4,413,193	(2,424,309)	-	-	(422,779)	(168,090)	(3,015,178)	1,398,015
	43,578,012	832,946	-	-	-	737,195	45,148,153	(27,318,072)	-	-	(3,004,838)	(1,192,489)	(31,515,399)	13,632,754

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	434,009,868	-	-	-	-	-	434,009,868	(2,766,430)	-	-	(757,396)	-	(3,523,826)	430,486,042
Infrastructure	1,355,788,472	53,154,538	-	(11,626,641)	-	-	1,397,316,369	(324,368,863)	-	-	(53,011,653)	(6,279,641)	(383,660,157)	1,013,656,212
Community Assets	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035
Other assets	43,578,012	832,946	-	-	-	737,195	45,148,153	(27,318,072)	-	-	(3,004,838)	(1,192,489)	(31,515,399)	13,632,754
	2,207,499,883	56,466,403	-	(3,914,972)	-	737,195	2,260,788,509	(394,855,994)	-	-	(64,640,342)	(7,472,130)	(466,968,466)	1,793,820,043
Agricultural/Biological assets														
Game stock	2,795,450	-	-	-	1,003,375	-	3,798,825	-	-	-	-	-	-	3,798,825
	2,795,450	-	-	-	1,003,375	-	3,798,825	-	-	-	-	-	-	3,798,825
Intangible assets														
Computers - software & programming	1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
	1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
Investment properties														
Investment property	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
Total														
Land and buildings	434,009,868	-	-	-	-	-	434,009,868	(2,766,430)	-	-	(757,396)	-	(3,523,826)	430,486,042
Infrastructure	1,355,788,472	53,154,538	-	(11,626,641)	-	-	1,397,316,369	(324,368,863)	-	-	(53,011,653)	(6,279,641)	(383,660,157)	1,013,656,212
Community Assets	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035
Other assets	43,578,012	832,946	-	-	-	737,195	45,148,153	(27,318,072)	-	-	(3,004,838)	(1,192,489)	(31,515,399)	13,632,754
Agricultural/Biological assets	2,795,450	-	-	-	1,003,375	-	3,798,825	-	-	-	-	-	-	3,798,825
Intangible assets	1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
Investment properties	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
	2,288,759,960	56,562,703	-	(3,914,972)	1,003,375	737,195	2,343,138,261	(396,805,491)	-	-	(64,666,958)	(7,472,130)	(468,944,579)	1,874,193,682